Zerodha
Fund House

Key Information Memorandum (KIM)

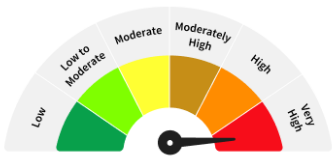
Zerodha Multi Asset Passive FoF

(An open ended fund of fund scheme investing in units of Equity, Debt Index Funds/ ETFs and commodity ETFs)

Key Information Memorandum

Zerodha Multi Asset Passive FoF

(An open ended fund of fund scheme investing in units of Equity, Debt Index Funds/ ETFs and Commodity ETFs)

This product is suitable for investors who are seeking*:	Risk-o-meter of the Scheme	Risk-o-meter of the Benchmark (60% Nifty 200 TRI + 15% CRISIL 10 year Gilt Index + 25% Domestic prices of Physical Gold)
Long term wealth creation		
Diversified exposure by investing across multiple asset classes viz., Equity, Debt Index Funds/ ETFs and Commodity ETFs		
*Investors should understand that their principal will be at **Very High Risk** and the riskometer of the benchmark will be **High.***		

**Investors should consult their financial advisers if in doubt about whether the product is suitable for them.*

The product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when actual investments are made.

(Offer for face value of ₹10 per unit during New Fund Offer and at continuous offer for units at NAV based prices)

New Fund Offer opens on	**July 25, 2025**
New Fund Offer closes on	**August 08, 2025**
Scheme reopens on	**Scheme will reopen for continuous Sale and Repurchase within 05 Business Days from the date of allotment of units under NFO**

Name of Sponsor	**Zerodha Broking Limited**
Name of Mutual Fund	**Zerodha Mutual Fund**
Name of Asset Management Company	**Zerodha Asset Management Private Limited**
Name of Trustee Company	**Zerodha Trustee Private Limited**

Address	**Indiqube Penta, New No. 51 (Old No. 14), Richmond Road, Bangalore - 560 025**
Website	**www.zerodhafundhouse.com**

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. For details of the scheme/ Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights and services, risk factors, penalties & pending litigations, etc. investor should, before investing, refer to the Scheme Information Document and Statement of Additional Information available free of cost or access the same from the website www.zerodhafundhouse.com

The scheme particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

The Key Information Memorandum is dated July 19, 2025.

<table>
<tr><td>Investment Objective</td><td>The investment objective of the scheme is to provide diversified exposure across multiple asset classes—equity, debt, and commodities—through a passive investment approach. By blending asset classes with low correlation, this scheme seeks to offer better risk-adjusted returns while reducing overall portfolio volatility.

There is no assurance or guarantee that the investment objective of the scheme would be achieved.</td></tr>
<tr><td>Asset Allocation Pattern of the Scheme</td><td>Under the normal circumstances, the asset allocation (% of Net Assets) of Scheme's portfolio will be as follows:

<table>
<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative allocations (% of total assets)</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Domestic Equity ETFs/Index Funds</td><td>50%</td><td>70%</td></tr>
<tr><td>Domestic Debt ETFs/Index Funds</td><td>10%</td><td>20%</td></tr>
<tr><td>Commodity ETFs</td><td>20%</td><td>30%</td></tr>
<tr><td>Debt Securities and Money Market instruments</td><td>0%</td><td>5%</td></tr>
</table>

The cumulative gross exposure through Equity, Debt, Commodity based mutual fund schemes and and such other securities/assets as may be permitted by SEBI from time to time should not exceed 100% of the net assets of the scheme.</td></tr>
</table>

	However, cash and cash equivalents* with residual maturity of less than 91 days may be treated as not creating any exposure. **SEBI vide letter dated November 03, 2021, has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities.* The Scheme can invest in the schemes managed by Zerodha Mutual Fund or any other Mutual Fund(s) as per the above stated asset allocation. Subject to the Regulations, the Scheme may engage in Securities Lending activities. Securities Lending is a lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed. There are risks inherent in 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. Such failure can result in a possible loss of rights to the collateral, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon. The AMC shall adhere to the following limits should it engage in Stock Lending: 1. Not more than 20% of the net assets of a Scheme can generally be deployed in Stock Lending. 2. Not more than 5% of the net assets of a Scheme can generally be deployed in Stock Lending to any single approved intermediary / counterparty. The Scheme does not intend to undertake/ invest/ engage in the following:

S.No.	Type of Instrument	Percentage of exposure	Circular references
1.	Securitized Debt	The Scheme will not invest/engage in these instruments.	
2.	Short selling of securities		
3.	Repo in corporate debt		
4.	Unrated instruments (except TREPs/ Government Securities/ SDL / Repo in Government Securities)		
5.	Foreign securities/ADR/GDR		
6.	ReITs and InVITs		
7.	Instruments having Special Features as defined in SEBI Circular no.		

	<table><tr><td></td><td>SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021</td><td rowspan="3"></td></tr><tr><td>8.</td><td>Credit Enhancements & Structured Obligations</td></tr><tr><td>9.</td><td>Credit Default Swap transactions</td></tr></table> **Short term defensive consideration:** Subject to SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021 and circulars issued thereunder, the asset allocation pattern indicated above may change for a short term period on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. These proportions may vary depending upon the perception of the Fund 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 rebalanced within 30 calendar days from the date of deviation and further action may be taken as specified under SEBI Circulars/ AMFI guidelines issued from time to time. **Passive Breach** Further, as per Paragraph 2.9 of the Master Circular dated June 27, 2024, as may be amended from time to time, in the event of deviation from mandated asset allocation due to passive breaches (occurrence of instances not arising out of omission and commission of the AMC), the fund manager shall rebalance the portfolio of the Scheme within 30 Business Days. In case the portfolio of the Scheme is not rebalanced within the period of 30 Business Days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee of the AMC. The Investment Committee, if it so desires, can extend the timeline for rebalancing up to sixty (60) Business Days from the date of completion of the mandated rebalancing period. Further, in case the portfolio is not rebalanced within the aforementioned mandated plus extended timelines the AMC shall comply with the prescribed restrictions, the reporting and disclosure requirements as specified in Paragraph 2.9 of the Master Circular dated June 27, 2024.
Investment Strategy	The Scheme is a Passive Multi Asset Fund of Fund scheme that aims to provide diversified exposure across multiple asset classes—equity, debt, and commodities—through a passive investment approach. By blending asset classes with low correlation, this scheme seeks to offer better risk-adjusted returns while reducing overall portfolio volatility.

<table>
<tr><td></td><td>Though every endeavor will be made to achieve the objective of the Scheme, the AMC/Sponsors/Trustee does not guarantee that the investment objective of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.</td></tr>
<tr><td>Risk Profile of the scheme</td><td>Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Scheme specific Risk Factors are summarized at page no 14.

For details on risk factors and risk mitigation measures, please refer to the Scheme Information Document (SID).</td></tr>
<tr><td>Plans and Options</td><td>The scheme offers only Direct Plan.

The scheme offers only Growth Option.

The Trustees/ AMC reserves the right to introduce further Plan/ Options as and when deemed fit, subject to the SEBI (MF) Regulations.

For detailed disclosure on default plans and options, kindly refer to SAI.</td></tr>
<tr><td>Applicable NAV</td><td>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 'realisation of funds' and 'cut off timings' as described in this Scheme Information Document.</td></tr>
<tr><td>Minimum Application Amount/ Number of Units</td><td>During New Fund Offer (NFO):

₹100 and in multiples of ₹100 thereafter.

During Continuous Purchase:

<table>
<tr><th>Purchase</th><th>Additional Purchase</th><th>Redemption</th></tr>
<tr><td>₹ 100 and in multiples of ‘any amount’ thereafter</td><td>₹ 100 and in multiples of ‘any amount’ thereafter</td><td>The minimum redemption amount shall be ‘any amount’ or ‘any number of units’ as requested by the investor at the time of redemption.</td></tr>
</table>
</td></tr>
</table>

	The Minimum Application shall not be applicable to the mandatory investments made in the Scheme pursuant to the provisions of clause 6.9 and 6.10 of SEBI Master Circular dated May 19, 2023, as amended from time to time.
Despatch of Repurchase (Redemption request)	Redemption: Within three working days of the receipt of the redemption request.
Benchmark Index	The performance of the scheme will be benchmarked to the performance of the following: **60% Nifty 200 TRI + 15% CRISIL 10 year Gilt Index + 25% Domestic prices of Physical Gold (as per AMFI Tier I benchmark)** The composition of the aforesaid benchmark is such that it is most suited for comparing performance of the scheme. The Trustees reserves the right to change the benchmark in future, if a benchmark better suited to the investment objective of the Scheme is available post prior intimation/ approval of SEBI.
Dividend Policy	Not Applicable
Name of the Fund Manager	Mr. Kedarnath Mirajkar
Name of the Trustee Company	Zerodha Trustee Private Limited
Performance of the scheme	This scheme does not have any performance track record.
Additional Scheme Related Disclosures	This scheme is a new scheme and does not have any portfolio holdings.
Expenses of the scheme **(i) Load Structure**	**New Fund Offer Period** Exit/ Redemption Load: **Nil.** **Continuous Offer Period** Exit/ Redemption Load: **Nil**.

(ii)Recurring expenses	These are the fees and expenses incurred for the Scheme. These expenses include but are not limited to Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs, listing fee, etc. The AMC has estimated that the following expenses will be charged to the Scheme as permitted under Regulation 52 of SEBI (MF) Regulations. For the actual current expenses being charged, the investor should refer to the website of the Mutual Fund viz. www.zerodhafundhouse.com

Expense Head	% of daily net assets (estimated) (p.a.)
Investment Management and Advisory Fees	**Upto 1.00%**
Trustee Fees and Expenses[1]	
Audit Fees and Expenses	
Custodian Fees and Expenses	
RTA Fees and Expenses	
Marketing and Selling Expenses	
Cost related to Investor Communication	
Cost of fund transfer from one location to another	
Cost of providing account statements	
Cost of Statutory Advertisements	
Cost towards investor education and awareness[2]	
Brokerage and Transaction cost over and above 0.12% and 0.05% on value of trades for cash and derivative market trades only	
GST on expenses other than Investment Management and Advisory Fees[3]	
GST on brokerage and transaction cost[3]	
Other Expenses	

Maximum Total Expense Ratio (TER) permissible under Regulation 52 (6)[4]	**Upto 1.00%**

Provided that the total expense ratio to be charged over and above the weighted average of the total expense ratio of the underlying scheme(s) shall not exceed two times the weighted average of the total expense ratio levied by the underlying scheme(s), subject to the overall ceilings as stated above.
As per Regulation 52(6)(a), the total expenses of the Scheme including weighted average of charges levied by the underlying schemes shall not exceed 1.00 per cent of the daily net assets of the Scheme.

Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the Underlying Schemes in which the Investments are made by the Scheme.

[1] *Trustee Fees and Expenses*

In accordance with the Trust Deed constituting the Mutual Fund, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges, and expenses, a yearly fee of ₹1. Such fee shall be paid to the Trustee within seven working days of the end of every year. The Trustee may charge further expenses as permitted from time to time under the Trust Deed and SEBI (MF) Regulations.

[2] *Investor Education and Awareness initiatives*

As per Para F of the SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012 read with SEBI Circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022, the AMC shall annually set apart at least 2 basis points p.a. (i.e. 0.02% p.a.) on daily net assets of the Plan(s) under the Scheme within the limits of total expenses prescribed under Regulation 52 of SEBI (MF) Regulations for investor education and awareness initiatives undertaken.

Fund of Funds (FoFs) investing more than 80% of its NAV in underlying domestic funds shall not be required to set aside 2 basis points p.a (i.e 0.02% p.a.) of the daily net assets towards investor education and awareness initiatives.

[3] *Refer Point (3) below on GST on various expenses.*

[4] *The expenses towards Investment Management and Advisory Fees under Regulation 52 (2) and the various sub-heads of recurring expenses mentioned under Regulation 52 (4) of SEBI (MF) Regulations are fungible in nature. Thus, there shall be no internal sub-limits within the expense ratio for expense heads mentioned under Regulation 52 (2) and (4) respectively.*

The purpose of the above table is to assist the Investor in understanding the various costs and expenses that an Investor in the Plan(s) under the Scheme will

	bear directly or indirectly. The figures in the table above are estimates. The actual expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI (MF) Regulations. **GST** As per Para B of the SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, GST shall be charged as follows: - a. GST on investment management and advisory fees shall be charged to the Scheme in addition to the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations. b. GST on other than investment management and advisory fees, if any, shall be borne by the Scheme within the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations. c. GST on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under Regulation 52 of the SEBI (MF) Regulations. The maximum limit of recurring expenses that can be charged to the Scheme would be as per Regulation 52 of the SEBI (MF) Regulation, 1996. Investors are requested to read "Section- Annual Scheme Recurring Expenses" in the SID. The mutual fund would update the current expense ratios on the website (www.zerodhafundhouse.com) at least three working days prior to the effective date of the change and update the TER under the Section titled "Statutory Disclosures" under the sub-section titled "Total Expense Ratio of Mutual Funds".
Tax Treatment for the Investors (Unitholders)	Investors are advised to refer to the paragraph on '**Taxation**' in the '**Statement of Additional Information**' and to consult their own tax advisors with respect to the specific amount of tax and other implications arising out of their participation in the scheme.
Daily Net Asset Value (NAV) Publication	The NAV will be calculated by the AMC for each Business Day except in special circumstances. The first NAV shall be calculated and declared within 05 business days from the date of allotment. AMC shall disclose the NAV for each Business Day as below: 1. On the website of the Fund/AMC - **10.00 A.M. on the next Business Day.** 2. On the website of Association of Mutual Funds in India (AMFI) - **10.00 A.M. on the next Business Day.**
For Investor Grievances please contact	Investors can lodge any service request or complaints or enquire about NAVs, Unit Holdings, etc. by **Registrar and Transfer Agent**

	sending an email to support@zerodhafundhouse.com The investor service representatives may require personal information of the Investor for verification of his / her identity in order to protect confidentiality of information. The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly. Any complaints should be addressed to the Investor Relations Officer. Address: Investor Relation Officer Zerodha Asset Management Private Limited New No.51, IndiQube Penta, 2nd Floor, Richmond Road, Bangalore - 560 025 Email - iro@zerodhafundhouse.com For any grievances with respect to transactions through BSE StAR, the investors / Unit Holders should approach either the stockbroker or the investor grievance cell of the stock exchange. Investors may escalate to the Compliance Officer at compliance@zerodhafundhouse.com and/ or CEO at ceo@zerodhafundhouse.com if they do not receive a response/ not satisfied with the response from the Investor Relations Team.	Computer Age Management Services Limited (CAMS) Rayala Tower-1, 158 Anna Salai, Chennai - 600 002 Website: www.camsonline.com Please note that the Investor Grievances are being handled by AMC, so Investors are requested to reach out directly to the AMC.
Unitholders' Information	**ACCOUNT STATEMENTS DURING ONGOING OFFER PERIOD** The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or	

	mobile number (whether units are held in demat mode or in account statement form). A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor(if any)) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month by mail or email on or before 15th of the succeeding month. Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable Please refer to SAI for details. **Half Yearly Portfolio Statement** The Mutual Fund/ AMC will disclose the portfolio (along with ISIN) of the Scheme, including Segregated Portfolio, if any, in the prescribed format, as on the last day of half-year i.e. March 31 and September 30, on its website viz. www.zerodhafundhouse.com and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com within 10 days from the close of each half-year respectively. The Mutual Fund / AMC will send via mail, to the registered email address of the unitholders, the half-yearly statement of scheme portfolio within 10 days from the close of each half-year respectively. Mutual Fund / AMC will publish an advertisement every half-year in an all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the half-yearly statement of the Scheme portfolio on its website and on the website of Association of Mutual Funds in India (AMFI). Mutual Fund / AMC will provide a physical copy of the statement of its Scheme portfolio, without charging any cost, on specific request received from a unitholder. **Annual Report** Scheme Annual report in the format prescribed by SEBI, will be hosted on the website of the Fund viz. www.zerodhafundhouse.com and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com as soon as may be but not later than four months from the date of closure of the relevant accounts year (i.e. 31st March each year). Mutual Fund / AMC will publish an advertisement every year, in the all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the Scheme wise Annual Report on the website of the Fund and on the website of Association of Mutual Funds in India (AMFI).

	Mutual Fund / AMC will email the Scheme Annual Report or Abridged Summary thereof to the unitholders registered email address with the Mutual Fund. Mutual Fund / AMC will provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on specific request received from a unitholder through any mode. A physical copy of the scheme wise annual report shall be made available for inspection to the investors at the registered office of the AMC. A link of the scheme annual report or abridged summary thereof shall be displayed prominently on the website of the Fund and shall also be displayed on the website of Association of Mutual Funds in India (AMFI).

[This space is left blank intentionally]

<u>Risk Factors</u>

Scheme Specific Risk Factors

The scheme intends to invest in units of Index Funds and ETFs. The Scheme may also invest a certain portion of its corpus in Debt Securities and Money Market Instruments as may be defined in the Asset allocation pattern given in the SID. Investors who intend to invest in the Scheme are required to and deemed to have understood the risk factors of the underlying schemes.

The scheme assets will be invested in units of Index Funds and ETFs and valued at the market price of the said units on the principal exchange. The same may be at a variance to the underlying NAV of the fund, due to market expectations, demand supply of the units, etc. To that extent the performance of the scheme shall be at variance with that of the underlying scheme.

The performance of the Scheme may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems, etc. Some of the Risks are listed below:

Risk associated with Fund of Funds Scheme:

- The Scheme's performance will depend upon the performance of the Underlying Index Funds and ETFs.
- Any change in the investment policy or the fundamental attributes of the Underlying Index Funds and ETFs in which the Scheme invests may affect the performance of the Scheme.
- Dependence on the Investment Manager of the underlying Index Funds and ETFs: The success of the underlying Index Funds and ETFs depends on the ability of the respective Investment Manager to implement investment strategies that achieve their investment objective.
- In addition to the recurring expenses of the Scheme, the Unit Holders shall also bear the applicable expenses of the underlying Index Funds and ETFs. Therefore, the returns that the Unit Holder of the Scheme may receive may be impacted or may, at times, be lower than the returns that a Unit Holder, who is directly investing in the same underlying Index Funds and ETFs, could obtain.
- A Fund Manager managing any one of the Fund of Funds scheme may also be the Fund Manager for the underlying scheme(s).

Risk associated with underlying scheme (Gold and Silver ETFs):

To the extent the Scheme's assets are invested in Gold and Silver ETFs, the risks associated with the underlying Gold and Silver ETFs, will also be applicable. The scheme may invest in units of Gold and Silver ETFs. Accordingly, the NAV of the scheme will react to Gold/Silver price movements.

- Investors should be aware that there is no assurance that gold/silver will maintain its long-term value in terms of purchasing power in the future. In the event that the price of gold/silver declines, the value of investment is expected to decline proportionately.
- The returns from physical gold/silver may underperform returns from the various general securities markets or different asset classes other than gold/silver. Different types of securities tend to go through cycles of out-performance and under-performance in comparison to the general securities markets.

- The scheme may invest in Gold and Silver ETFs. The units may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of the holdings. The trading prices will fluctuate in accordance with changes in their NAV as well as market supply and demand. However, given that units of Gold and Silver ETFs can be created and redeemed in Creation Units, it is expected that large discounts or premiums to the NAV will not sustain due to arbitrage opportunities available.
- Value of Gold and Silver ETF Units could decrease if unanticipated operational or trading problems arise.

In case of investment in Gold and Silver ETFs, the scheme can subscribe to the units of Gold and Silver ETFs according to the value equivalent to unit creation size as applicable. If subscriptions received are not adequate enough to invest in creation unit size, the subscriptions may be deployed in debt and money market instruments which will have a different return profile compared to gold/silver returns profile. The units issued under the Scheme, when invested in Gold and Silver ETFs, will derive liquidity from the underlying Gold/Silver ETFs having creation / redemption process in creation unit size of predefined quantity of physical gold/silver (e.g. 1 kg in case of gold or 30kg in case of silver). At times prevailing market conditions may affect the ability of the underlying Gold and Silver ETFs to sell gold/silver against the redemption request received.

Furthermore, the endeavor would always be to get cash on redemptions from the underlying Gold and Silver ETFs. However, in case the underlying Gold/Silver ETFs are unable to sell for any reason, and deliver physical gold/silver, there could be delay in payment of redemption proceeds pending such realization.

Additionally, the Scheme will derive liquidity from trading units of underlying Gold and Silver ETFs on the exchange(s) in the secondary market which may be inherently restricted by trading volumes, settlement periods and transfer procedures. There is no assurance that an active secondary market for Gold and Silver ETFs will be developed and maintained, in such times, the processing of redemption requests at times may be delayed. In the event of an inordinately large number of redemption requests, or re-structuring of the Scheme's investment portfolio, the processing of redemption requests may be delayed.

Risks associated with Equity and Equity Related Instruments:

Equity and equity related instruments by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of Equity and Equity Related Instruments may fluctuate due to factors affecting the securities markets such as price volatility, volumes traded, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws, political, economic or other developments, which may have an adverse impact on individual securities, a specific sector or all sectors. Consequently, the NAV of the Units issued under the Scheme may be adversely affected.

Equity and equity related instruments listed on the stock exchange carry lower liquidity risk; however the Scheme's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to 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, if there is a subsequent decline in the value of securities held in the Scheme's portfolio.
Investments in equity and equity related instruments involve a degree of risk and investors should not invest in the Scheme unless they can afford to take the risk of losing their investment.

Risks associated with Debt and Money Market Instruments or Fixed Income Securities:

Debt and Money Market Instruments or Fixed Income 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.

Credit Risk: This is the risk associated with the issuer of a debenture/bond or a Money Market Instrument defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is the safest. Corporate bonds carry a higher amount of credit risk than Government Securities. Within corporate bonds also there are different levels of safety and a bond rated higher by a particular rating agency is safer than a bond rated lower by the same rating agency.

Interest-Rate Risk: Fixed income securities such as government bonds, corporate bonds and Money Market Instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.

Liquidity Risk: The Indian debt market is such that a large percentage of the total traded volumes on particular days might be concentrated in a few securities. Traded volumes for particular securities differ significantly on a daily basis. Consequently, the scheme might have to incur a significant "impact cost" while transacting large volumes in a particular security.

Reinvestment Risk: Investments in fixed income securities carry reinvestment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.

Basis Risk: The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements. This may result in loss of value of the portfolio.

Spread Risk: In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. During the tenure of the security this spread may move adversely or favourably leading to fluctuations in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.

Risk of Rating Migration: It may be noted that the price of a rated security would be impacted with the change in rating and hence, there is risk associated with such migration.

Counterparty and Settlement Risk: Corporate Bond Repo will be settled between two counterparties in the OTC segment unlike in the case of TREPS transactions where CCIL stands as central counterparty on all transactions (no settlement risk).Settlement risk in reverse repo will be mitigated by requiring the counterparty (entity borrowing funds from the Mutual Fund) to deliver the defined collateral in the account of the MF before the cash is lent to the counterparty. Further, the Mutual Fund will also have a limited universe of counterparties, but not limited to, comprising Scheduled Commercial Banks, Primary Dealers, Mutual Funds and National Financial Institutions.

Legislative Risk: Changes in government policy in general and changes in tax benefits applicable to Mutual Funds may impact the returns to investors in the scheme.

Risk factors associated with processing of transactions 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 authorized 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). Accordingly, there could be negative impacts to the investors such as delay or failure in allotment / redemption of units. The Fund and the AMC are not responsible for the negative impacts.

Risks associated with segregated portfolio:

The unit holders may note that no redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in the segregated portfolio, the AMC shall enable listing of units of segregated portfolio on the recognized stock exchange.

The risks associated in regard to the segregated portfolio are as follows:

- The investors holding units of the segregated portfolio may not be able to liquidate their holdings till the time of recovery of money from the issuer.
- The security comprising the segregated portfolio may not realize any value.
- Listing units of the segregated portfolio on a recognized stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units of the segregated portfolio on the stock exchange.
- The trading price of units on the stock exchange may be significantly lower than the prevailing Net Asset Value (NAV) of the segregated portfolio.

Risk factors associated for investments in Mutual Fund Schemes

- Movements in the Net Asset Value (NAV) of these Schemes may impact the performance. Any change in the investment policies or fundamental attributes of these Schemes will affect the performance of the Scheme to the extent of investment in such schemes.

- Redemptions in these Schemes would be subject to applicable exit loads.

<u>Risks associated with Short Selling and Securities Lending & Borrowing (SLB) done by underlying schemes</u>

Securities lending is lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed. The risks in security lending consist of the failure of intermediary / counterparty, to comply with the terms of agreement entered into between the lender of securities i.e. the underlying schemes and the intermediary / counterparty. Such failure to comply can result in the possible loss of rights in the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The scheme may not be able to sell lent out securities, which can lead to temporary illiquidity & loss of opportunity. The underlying schemes shall report to the Trustee on a quarterly basis as to the level of lending in terms of value, volume and the names of the intermediaries and the earnings/losses arising out of the transactions, the value of collateral security offered etc. The Trustees shall offer their comments on the above aspect in the report filed with SEBI under sub-regulation 23(a) of Regulation 18.

[This space is left intentionally blank]

[Last Page]

[This page is left intentionally blank]