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# ALTERNATIVE INVESTMENT SOLUTIONS

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## Disclosure Document



SBI Funds Management Limited (IFSC Branch)



**SBI Funds Management Limited (IFSC Branch)**

**DISCLOSURE DOCUMENT**

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**I. Declaration:**

- a) The purpose of the Disclosure Document is to provide essential information about the portfolio management services in a manner to assist and enable the investors in making informed decision for engaging "**SBI Funds Management Limited (IFSC Branch)**" registered with IFSCA as a Registered Fund Management Entity (Retail) (hereinafter referred as the "**Portfolio Manager**") as the portfolio manager.
- b) The Disclosure Document contains the necessary information about the Portfolio Manager required by an Investor before investing, and the investor is advised to retain the Disclosure Document for future reference.
- c) The name, phone number, e-mail address of the Principal Officer as designated by the Portfolio Manager along with the address of the Portfolio Manager is as follows:

<b>PRINCIPAL OFFICER</b>	<b>PORTFOLIO MANAGER</b>
<p><b>Name :</b> Mr. Manish Makharia</p> <p><b>E-Mail :</b> manish.makharia@sbifundsgift.com</p>	<p><b>SBI Funds Management Limited (IFSC Branch)</b></p> <p><b>Registration number:</b> IFSCA / FME/ III/ 2022-23/010.</p> <p><b>Address :</b> Unit No. 209, Signature Building, 2nd Floor, Block no. 13B, Zone 1, GIFT – Special Economic Zone, Villages Phirozpur and Ratanpur, District Gandhinagar – 382355, Gujarat</p> <p><b>Registered Office Address:</b> SBI Funds Management Limited 9<sup>th</sup> Floor, Crescenzo, C-38 &amp; 39, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 CIN: U65990MH1992PLC065289</p>

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### **III. Contents:**

#### **1. About International Finance Services Centre**

International Finance Services Centre (IFSC) is set-up in the Gujarat International Finance Tech-City (GIFT City), a special economic zone (SEZ) located in the Indian state of Gujarat. IFSC has been set up to promote international financial services. It provides world-class infrastructure and services for financial institutions and companies operating in areas such as banking, insurance, capital markets, and asset management. At present, the IFSC is the maiden international financial services centre in India. For further details on GIFT IFSC refer <https://www.giftgujarat.in/business/ifsc>.

IFSC is regulated by the International Financial Services Centres Authority (IFSCA), established by the Government of India as a unified authority for the development and regulation of financial products, financial services and financial institutions in the IFSC. The main objective of the IFSCA is to develop a strong global connect as well as to serve as an international financial platform. For further details on IFSCA refer <http://ifsc.gov.in/home>.

#### **2. Important Disclosure**

The Disclosure Document and its contents are for information only and do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or the solicitation of an offer to buy or sell any Portfolio Strategies/Option or any other securities or financial products/investment products mentioned in the Disclosure Document or an attempt to influence the opinion or behavior of the Clients. Any use of the information / any investments and investment related decisions of the Clients are at their sole discretion & risk and the Portfolio Manager shall not be responsible/liable for the same in any manner whatsoever, to any person/entity. The investments may not be suited to all categories of Clients. As with any investment in any securities, the value of the portfolio under any Portfolio Strategies/Option can go up or down depending on the factors and forces affecting the capital market.

Clients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors for seeking independent legal, investment and tax advice as they believe necessary, before acting on any information in the Disclosure Document or any such other documents or before making any investments in such Portfolio Strategies/Option. Any use of the information contained in the Disclosure Document, any investments in the Portfolio Strategies/Option and any investment related decisions pertaining to such Portfolio Strategies/Option of the Clients are at their sole discretion & risk. There may be changes in the legal, tax and the regulatory regimes (including without limitation; political changes, government regulations, social instability, stock market fluctuations, diplomatic disputes, or other similar developments), which could adversely affect the Client's investments in the Portfolio Strategies/Option. Investments in the Portfolio Strategies/Option stand a risk of loss of capital and the Clients should be aware that they may lose all or any part of their investments in such Portfolio Strategies/Option.

#### **3. Disclaimer**

- a) Particulars of this Document have been prepared in accordance with the International Financial Services Centres Authority (Fund Management) Regulations, 2022 as amended till date.
- b) This Document has neither been approved nor disapproved by IFSCA nor has IFSCA certified the accuracy or adequacy of the contents of the Document.

#### 4. Definitions

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

- (a) **Accredited Investor:** shall have the same meaning as may be assigned to it under the Fund Management Regulations from time to time.
- (b) **Agreement:** means the agreement entered between the Portfolio Manager and the Client/Investor for the purpose of providing PMS services, as amended, modified, supplemented or restated from time to time together with all annexures, schedules and exhibits, if any.
- (c) **Applicable Laws:** means any applicable statute, law, ordinance, regulation including the Regulations, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in IFSC, as is in force from time to time.
- (d) **Client / Investor:** shall include Eligible Investor(s) whether natural or juridical, partnership firm, trustees or trustee companies who are eligible to enter into contracts and who are not barred under any law for the time being in force to deal in securities to avail PMS services mentioned in the Agreement, this Document and Applicable Laws.
- (e) **Custodian:** means one or more custodian appointed by the Portfolio Manager, from time to time, which in turn may appoint such sub-custodians or securities depository for maintaining custody of funds and/or Securities of the Client.
- (f) **Discretionary Portfolio Management Services:** means the discretionary portfolio management services provided by the Portfolio Manager who under a contract relating to portfolio management, exercises or may exercise, any degree of discretion as to the investment of funds or management of the portfolio of securities of the Client, as the case may be;
- (g) **Disclosure Document or Document:** means this document issued to the Client as required under the Regulations and made available on the website of the Portfolio Manager and as may be amended by the Portfolio Manager from time to time.
- (h) **Eligible Investor:** means a person resident outside India, a Non-Resident Indian, a non-individual resident in India who is eligible under FEMA to invest funds offshore (to the extent of outward investment permitted), and an individual resident in India who is eligible under FEMA to invest funds offshore (to the extent allowed under the liberalized remittance scheme (LRS) of Reserve Bank of India) and such other categories of persons / clients permitted under the Applicable Law, to be eligible to avail of the services of the Portfolio Manager from time to time under the PMS.
- (i) **Exit Load:** means the withdrawal charge/s payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (j) **Fund Management Regulations or Regulations:** means International Financial Services Centres Authority (Fund Management) Regulations, 2022 as amended and modified from time to time and including any circulars/notifications issued pursuant thereto.
- (k) **IFSC / International Financial Services Centre:** shall have the same meaning as assigned to it under clause (g) of sub-section (1) of Section 3 of the International Financial Services Centres Authority Act, 2019.

- (l) **IFSCA:** means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the International Financial Services Centres Authority Act, 2019;
- (m) "**Independent Valuer**" shall mean an independent third-party service provider such as a fund administrator or custodian registered with the IFSCA, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the IFSCA, as may be appointed for carrying out valuation of Portfolio Investments in terms of this Document.
- (n) **Portfolio Strategies / Options:** shall mean any of the current portfolio strategies /options or such portfolio strategies/options that may be introduced at any time in the future by the Portfolio Manager.
- (o) **Management Fee:** means the management fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (p) **Performance Fee:** means the performance-linked fee payable to the Portfolio Manager in accordance with the terms of the Agreement and this Document.
- (q) **Portfolio or Client Portfolio:** means the total holdings of Securities and funds belonging to the Client in accordance with the Agreement.
- (r) **Portfolio Entity:** means companies, enterprises, bodies corporate, or any other entities in the Securities of which the monies from the Client Portfolio are invested in subject to the Applicable Laws.
- (s) **Portfolio Investments:** means investments in Securities of one or more Portfolio Entity/ies made by the Portfolio Manager on behalf of the Client under the PMS from time to time. The Portfolio Manager is permitted to invest in Securities and financial products in an IFSC, India or foreign jurisdiction.
- (t) **Principal Officer:** means a designated employee of the Portfolio Manager responsible for overall activities of the Portfolio Manager.
- (u) **Portfolio Management Services or PMS:** means the portfolio management services provided by the Portfolio Manager in accordance with the terms and conditions set out in the Agreement, this Document and subject to Applicable Laws.
- (v) **PML Laws:** means the Prevention of Money Laundering Act, 2002 including the Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 and such other guidelines/circulars issued by IFSCA thereto as amended and modified from time to time.
- (w) **Securities:** shall mean and include in case of Discretionary Portfolio Management Services, securities listed or to be listed or traded on a recognized stock exchange, money market instruments, units of investment scheme and other financial products as may be specified by the IFSCA from time to time. In case of non-discretionary and advisory services, the term Securities shall mean to include all the permissible securities and financial products which are listed, unlisted, to be listed. It is clarified herein that the Portfolio Manager shall be permitted to invest in securities and financial products in an IFSC, India or foreign jurisdiction.

Any term used in this Document but not defined herein (but defined in the Regulations) shall have the same meaning as assigned to them in the Regulations.

## 5. Description

### (i) History, Present Business and Background of the Portfolio Manager

About SBI Funds Management Limited – (IFSC Branch):

SBI Funds Management Limited (SBIFML) has set up a branch in IFSC - SBI Funds Management Limited – (IFSC Branch) which is registered with the IFSCA as a Registered Fund Management Entity (Retail) bearing registration number: IFSCA / FME/ III/ 2022-23/010. SBI Funds Management Limited – (IFSC Branch) is engaged in carrying out fund management and Portfolio Management Services in IFSC

About SBI Funds Management Limited (SBIFML):

SBI Funds Management Limited (SBIFML) is a Joint Venture between State Bank of India (SBI), India's largest bank, and Amundi Asset Management, Europe's largest asset manager and one of the world's leading asset management companies. SBIFML was incorporated on February 07, 1992 as a private limited company under the Companies Act, 1956 and has been converted to public limited company on December 16, 2021. SBIFML offer to investors in India and globally (through the Amundi network), Indian market expertise, across a full range of offerings across asset classes and investment styles from Mutual Funds, Portfolio Management Services, offshore funds and alternative investment funds.

SBIFML offers a wide range of investment options that cater to the diverse investment needs of institutional and retail customers with varying risk-reward profiles. The products have a variety of underlying asset classes such as equity, debt, gold, ETFs and some products invest in a combination of these asset classes.

SBIFML is authorized to act as an Asset Management Company of SBI Mutual Fund which is registered with and regulated by the Securities and Exchanges Board of India (referred as SEBI - Indian Securities Markets Regulator) under the SEBI (Mutual Funds) Regulations, 1996. The registration number of SBI Mutual Fund is MF/009/93/3 as of 23 December 1993.

Additionally, SBIFML is registered with SEBI as a Portfolio Manager on January 16, 2004 bearing registration number INP000000852 under the erstwhile SEBI (Portfolio Managers) Regulations, 1993 subsequently replaced by SEBI (Portfolio Managers) Regulations, 2020.

SBIFML is also providing the management and advisory services to Category I Foreign Portfolio Investors and Category II Foreign Portfolio Investors through fund manager(s) managing the schemes of SBI Mutual Fund under Regulation 24(b) of the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.

SBIFML provides an integrated end-to-end customized asset management solution for institutions in terms of advisory service, discretionary and non-discretionary portfolio management services. Over the years, SBIFML has emerged as the largest player in India advising various financial institutions, pension funds, local and international asset management companies.

SBIFML also manages an offshore fund viz, SBI Resurgent India Opportunities Fund.

SBIFML is acting as an Investment Manager of SBI Alternative Equity Fund & SBI Alternative Debt Fund which are registered with SEBI as Category III & Category II Alternative Investment Fund (AIF) respectively under SEBI (Alternative Investment Funds)

Regulations, 2012. SEBI registration number of SBI Alternative Equity Fund is IN/AIF3/15-16/0177 dated October 15, 2015 & SBI Alternative Debt Fund is IN/AIF2/18-19/0563 dated July 12, 2018.

SBIFML is also acting as an Investment Manager to SBI Investment Opportunities Fund (IFSC) which are registered with IFSCA as a Restricted Scheme (non-retail) classified as Category III Alternative Investment Fund (AIF) under the Fund Management Regulations. IFSCA registration number of SBI Investment Opportunities Fund (IFSC) is IFSC/AIF3/2021-22/0010 dated January 21, 2022.

**(ii) Promoters and Directors of the Portfolio Manager and their background**

**(a) Promoters of the Portfolio Manager**

SBI Funds Management Limited is a joint venture between State Bank of India, India's largest bank and Amundi Asset Management (erstwhile known as Amundi S.A.), a leading European asset management company. State Bank of India holds 62.53% stake in the share capital of SBI Funds Management Limited, whereas 36.73% is held by Amundi Asset Management through a wholly owned subsidiary known as Amundi India Holding and the balance 0.74% is held by others. (As on March 22, 2023).

State Bank of India ('SBI'), the promoter of SBI Funds Management Limited, is having its Corporate Office at State Bank Bhavan, Madame Cama Road, Mumbai - 400 021, is the largest public sector bank with 22,266 branches in India and 227 foreign offices spread over 30 countries (as on March 31, 2022), the largest overseas network among all Indian banks. Extensive network, along with correspondent banking relationship with 224 banks and tie ups with 45 exchange companies across all continents, making SBI a bank with global outreach. In addition to banking, the SBI Group, through its various subsidiaries, provides a whole range of financial services, which includes Life Insurance, Merchant Banking, Mutual Funds, Credit Card, Factoring, Security Trading, Pension Fund Management, Custodial Services, General Insurance (Non-Life Insurance) and Primary Dealership in the money market. The above information is as on March 31, 2022.

Amundi Asset Management, the joint venture partner of SBI in SBIFML, is a company incorporated under the laws of France with its registered office at 90, Boulevard Pasteur, 75015, Paris, France. Amundi Asset Management is a leading European asset management company and is a wholly owned subsidiary of Amundi, which is a holding company in France. Credit Agricole Group holds 69.19% in Amundi, and remaining share ownership is held under Floating (28.97% stake), Treasury shares (0.69% stake) and employees (1.15% stake). The information is as on September 30, 2022.

Crédit Agricole S.A (CA), the listed company of the Credit Agricole group, is a diversified financial services company headquartered in France, offering services across the entire spectrum of banking and finance, directly and through its subsidiaries / group companies, in various jurisdictions. Its business mix is structured around three core businesses - retail banking and specialized financial services, asset management, private banking and securities services and corporate and investment banking.

Amundi India Holding, the wholly owned subsidiary through which Amundi holds 36.73% stake in SBIFML, is a simplified joint-stock company incorporated in France having its registered office at 90, boulevard Pasteur, 75015 Paris, France. Amundi Asset Management is the sole shareholder of Amundi India Holding and holds 100% of its share capital legally and beneficially.

**(b) Directors of the Portfolio Manager**

Refer to Annexure I for names and profiles of the directors.

**(iii) Details of the Key Managerial Personnel**

- (a) Manish Makharia – Principal Officer
- (b) Yashpal Sharma – Compliance Officer
- (c) Vishal Saraf – Fund Manager

**(iv) Details of the services being offered: Discretionary Portfolio Management Services & Non-Discretionary PMS and Advisory**

The Portfolio Manager shall undertake Discretionary Portfolio Management Services, non-discretionary portfolio management services and advisory services to Eligible Investors.

The key features of the said services are detailed here below:

**(a) Discretionary Services:**

Under the Discretionary Portfolio Management Services, the choice as well as the timing to make the investment/divestment decisions on an on-going basis rest solely with the Portfolio Manager. The Portfolio Manager may at times and at its own discretion, adhere to the views of the Client pertaining to the investment/ disinvestment's decisions of the Client's Portfolio. The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of Securities as per the Client Agreement and make such changes in the investments and invest some or all of the Client's monies in such manner and in such markets as it deems fit. The Securities invested / disinvested by the Portfolio Manager for Clients in the same Portfolio Strategies /Option may differ from one Client to another Client. The Portfolio Manager's decision taken in good faith towards deployment/divestment of the Clients' Portfolio is absolute and final and can never be called in question or be open to review at any time during the currency of the Client Agreement or any time thereafter except on the ground of malafide intent, fraud or gross negligence as proven before the highest court of competent jurisdiction. This right of the Portfolio Manager shall be exercised strictly in accordance with the Regulations.

The Portfolio Manager shall not accept from the Clients, funds or securities worth less than USD 150,000 or such other amount as may be determined under the Regulations / by the Portfolio Manager. Acceptance of securities would be solely at the discretion of the Portfolio Manager even if it meets the threshold requirement. However, such threshold may not apply to Accredited Investors at the discretion of the Portfolio Manager.

**(b) Non – Discretionary Services:**

Under the non-discretionary PMS, the assets of the Client are managed in consultation with the Client. Under this service, the assets are managed as per the requirements of the Client after due consultation with the Client. The Client has complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager, *inter alia*, manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client. The deployment of the Client's monies by the Portfolio Manager on the instructions of the Client is absolute and final and can never be called in question or shall not be open to review at any time during the currency of the Client Agreement or at any time thereafter except on the ground of malafide intent, fraud or gross negligence as proven before the highest court of competent jurisdiction.

The Portfolio Manager shall not accept from the Clients, funds or securities worth less than USD 150,000 or such other amount as may be determined under the Regulations / by the Portfolio Manager. Acceptance of securities would be solely at the discretion of the Portfolio Manager even if it meets the threshold requirement. However, such threshold may not apply to Accredited Investors at the discretion of the Portfolio Manager.

**(c) Advisory Services:**

The Portfolio Manager may provide investment advisory services, in terms of the Regulations, which shall include the responsibility of advising on the investment approach and investment and divestment of individual securities on the Client Portfolio, for an agreed fee structure and for a defined period, entirely at the Client's risk; to all eligible category of investors. The Portfolio Manager shall be solely acting as an advisor to the Client Portfolio and shall not be responsible for the investment/divestment of Securities and/or any administrative activities on the Client Portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the Client, from time to time, in this regard. The terms of the advisory services provided shall be in accordance with the advisory agreement entered into by the Clients.

**6. Services Offered**

**(i) The present investment objectives and policies including the types of securities in which it generally invests shall be clearly and concisely stated in the Document for easy understanding of the potential investor.**

The Portfolio Manager offers the following Portfolio Strategies / Options as part of Discretionary Portfolio Management Services:

**(a) SBI Global Thematic Opportunities Portfolio**

**Investment Objective:** Investment objective of this portfolio will be to generate long term capital growth through investing predominantly in a well-diversified basket of one or more overseas funds/ETFs based on emerging themes.

**Investment Strategy:** Equity

**Investment Approach:** The fund selection is aimed at taking advantage of emerging tactical and long-term themes through a blended portfolio approach.

The portfolio seeks to generate long term capital appreciation by investing in units of funds/ETFs across overseas markets. The strategy aims to predominantly identify those funds that are expected to capitalize on some of the likely long-term themes such as disruptive technologies, energy transition, sustainability, etc. as well as some exposure to tactical themes like plays on growth-inflation dynamic, real rates trajectory, macro cycle etc.

The portfolio will invest in one or more overseas funds/ETFs having exposure to securities across sectors/ market cap/geographies based on select themes.

While our endeavor is to construct the portfolio with specific themes in focus, the fund selection will be based on various fundamental & macro parameters based on the expertise & discretion of the Portfolio Manager.

**Asset Allocation:**

Asset class	Percentage
Overseas Equity oriented Mutual funds/ETFs/investment schemes	Up to 100%
Cash & Cash equivalents*, Overseas Debt and Money Market Instrument oriented Mutual Funds/ETFs	Up to 100%

\* Cash & Cash equivalents includes Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper, and other money market instruments etc.

**Benchmark:**

MSCI World Index

**Risk:**

Very High

**Rebalancing of the Portfolio:**

The assets of the portfolio are rebalanced from time to time as per the Portfolio Manager's decision.

**(ii) The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/guidelines.**

The Portfolio Manager will not invest in equity /debt of its Indian parent Company or its sponsor / associate / group companies.

## 7. Risk factors

General Risk:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of portfolio management services in IFSC. However, the fund manager of the Portfolio Manager have rich individual experience in the field of fund management and portfolio management during their careers (outside IFSC), on which the Portfolio Manager shall rely.
- Any act, omission or commission of the Portfolio Manager undertaken in good faith under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager as proven before the highest court of competent jurisdiction.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The Client Portfolio may have a limited number of investments and, as a consequence, the aggregate returns realized by the Client may be adversely affected by the unfavorable

performance of a small number of such investments. The investments may also involve geographic concentration and hence an inability to diversify risk. The Portfolio Manager would strive to diversify the portfolio, as much as possible, in order to mitigate the concentration risk.

- There may be transactions of purchase and/or sale of Securities by Portfolio Manager and employees who are directly involved in investment operations that conflicts with transactions in any of the Client Portfolio. .
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager
- The Portfolio Manager or any of its associates is not responsible or liable for any loss resulting from the operation of the PMS.
- As with any investment in the Securities, the value of the Client Portfolio can go up or down depending on various factors that may affect the values of the investments. In addition to the factors that affect the value of individual Securities, the value of the Client Portfolio can be expected to fluctuate with movements in the broader equity and bond markets and may be influenced by factors affecting capital markets in general, such as, but not limited to, changes in interest rates, currency exchange rates, changes in governmental policies, taxation, political, economic or other developments and increased volatility in the stock and bond markets.
- Subject to necessary approvals as may be required and within the investment objectives of the Portfolio, the Portfolio Manager may invest in overseas markets which carry a risk on account of fluctuations in foreign exchange rates, nature of securities market of the country concerned, repatriation of capital due to exchange controls and political circumstances.
- Risk arising out of non-diversification: The investment objectives of one or more of the portfolio management portfolios could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the portfolio to improper and/or undesired diversification.
- Investors may note that Portfolio Manager's investment advice on specific Securities investments, investment strategy and asset allocation for achieving investment objectives may not be always profitable, as actual market movements may be at variance with anticipated trends.
- The Portfolio Manager may, considering the overall level of risk of the Client Portfolio, advice to invest in lower rated/ unrated securities offering higher yields. This may increase the risk of the Portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.
- While securities (including that of associates / related parties) that are listed on the stock exchange carry a lower liquidity risk, the ability to sell these investments is limited by the overall trading volumes on the stock exchanges. The liquidity of the Portfolio's investments is therefore inherently restricted by virtue of the trading volumes in the securities in which it invests.
- *Identification of Appropriate Investments:* The success of the PMS as a whole depends on the identification and availability of suitable investment opportunities and terms. The availability and terms of investment opportunities will be subject to market conditions, prevailing regulatory

conditions in India where the Portfolio Manager may invest, and other factors outside the control of the Portfolio Manager. Therefore, there can be no assurance that appropriate investments will be available to, or identified or selected by, the Portfolio Manager.

- Other risks arising from the investment objectives, investment strategy, investment approach and asset allocation are stated as under:

#### **Risks associated with investments in equity and equity related securities**

- Equity and equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- In markets, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- In the event of inordinately low volumes, there may be delays with respect to unwinding the Portfolio and transferring the redemption proceeds.
- The value of the Client Portfolio, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the Portfolio valuation may fluctuate and can go up or down.
- Client may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

#### **Risks associated with investments in fixed income securities/products**

Some of the common risks associated with investments in fixed income and money market securities are mentioned below. These risks include but are not restricted to:

- **Interest Rate Risk:** As with all debt securities, changes in interest rates affects the valuation of the portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the valuation of portfolios.
- **Liquidity or Marketability Risk:** This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market.
- **Credit Risk:** Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. risk that the issuer will be unable to make timely principal and interest payments on the security). Due to this risk, debentures are sold at a yield spread above those offered on treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default.

- **Reinvestment Risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.
- **Rating Risk:** Different types of debt securities in which the Client invests, may carry different levels and types of risk. Accordingly, the risk may increase or decrease depending upon its investment pattern, for instance corporate bonds carry a higher amount of risk than government securities. Further even among corporate bonds, bonds, which are AA rated, are comparatively riskier than bonds, which are AAA rated.
- **Price Volatility Risk:** Debt securities may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer, among others (market risk). The market for these Securities may be less liquid than that for other higher rated or more widely followed Securities.

#### **Risk factors associated with investments in derivatives**

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of such strategies to be persuaded by the Portfolio Manager involve uncertainty and decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager shall be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments.
- As and when the Portfolio Manager on behalf of Clients would trade in the derivatives market there are risk factors and issues concerning the use of derivatives that the Client should understand. 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 also of the derivative itself. 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 a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- Derivative trades involve execution risks, whereby there is an adverse price impact resulting from a change in the fundamental value of the security.
- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However, the gains of an options writer are limited to the premiums earned.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.

- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.
- Risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and potential high volatility of the futures markets.
- The Portfolio Manager may actively hedge its portfolio, to limit or reduce investment risk but this may result in limiting or reducing the potential for profit. No assurance can be given that any particular hedging strategy will be successful. Hedging against a decline in the value of Portfolio positions does not eliminate fluctuations in the values of Portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the Portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the Portfolio positions should increase. Moreover, it may not be possible for the strategy to hedge against a fluctuation at a price sufficient to protect the strategy's assets from the decline in value of the Portfolio positions anticipated as a result of such fluctuations. Given that the underlying investments is in cash equity and equity derivatives, the market movements will affect the performance of the strategy accordingly.
- The prices of many derivative instruments, including mainly options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities, currencies or other assets underlying them. The strategy is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other securities, currencies or other assets.

Following are the risks associated with the investment in equity options:

- Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.
- If a put or call option purchased under the strategy and are permitted to expire without being sold or exercised, the Client would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security, currency or other asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold to the Client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security, currency or other asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold by the Client at a lower price than its current market value.
- Purchasing and writing put and call options and, in particular, writing "uncovered" options

are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or other asset above the exercise price of the option. This risk is enhanced if the security, currency or other asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities, currencies or other assets necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities, currencies or other assets to satisfy the exercise of the call option can itself cause the price of the securities, currencies or other assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Client of all or a substantial portion of its assets.

**Risks associated with investing in schemes of mutual funds / Exchange Traded Funds (ETFs)**

- Mutual funds and Securities investments are subject to market risks and there is no assurance or guarantee that the portfolio objective will be achieved.
- The Portfolio may invest predominantly in the units of the overseas mutual fund(s)/ETFs, which invest in equity or equity related or debt securities of companies in overseas markets. Any change in the investment policies or the fundamental attributes of the underlying scheme could affect the performance of the Portfolio.
- For every investment in overseas mutual funds/ETFs, the risk factors of the underlying schemes/ETFs will be relevant and must be treated as risk factors of Portfolio. The risk in such underlying schemes/ETFs may relate to factors including but not limited to performance of underlying stocks, bonds, derivative instruments, offshore investments, interest rates risk and exchange risk.
- To the extent Portfolio assets are invested in the overseas mutual funds/ETFs the performance, risk profile, and liquidity of the scheme will be directly related to those of the underlying mutual funds/ETFs.
- The mutual fund/ETFs in which the portfolio invest's may not perform in line with the market and may not achieve its investment objective as originally envisaged. In such a situation, the performance of the Portfolio could be affected and its ability to achieve its investment objective may be impaired.
- The value of the underlying portfolio will be affected by country specific risk and the economic, political, market, movement in the overseas market. Such changes may adversely affect performance of the portfolio, both in the short term as well as in the long term.
- There could be settlement risk as the domestic portfolio and the overseas mutual fund/ETFs may allow different settlement cycle.
- If the underlying mutual fund scheme winds up for any reason, the Portfolio may have to find the similar alternative scheme. Until such alternative is found, and investments transferred into it, the Portfolio may not earn scheme objective related return.
- Net Asset Value (NAV) of overseas mutual fund/ETFs may be made available with a time lag up to 24 hours depending upon the time zone differences and laws applicable to overseas mutual fund/ETFs. Net Asset Value applicability for the investor may differ if investing in overseas funds / ETFs to that extent.

- If the underlying mutual fund scheme/ETFs declares a shut/record date/ book closure as may be applicable to the underlying scheme as per the terms of the prospectus/ regulations/legal provisions, there could be delay in remitting the redemption proceeds to the scheme which in turn may result in the delay for payment of redemption amount to the Client.
- Investment in mutual fund units/ETFs involves investment risks, including but not limited to risks such as liquidity risk, volatility risk, default risk including the possible loss of principal.
- The assets in which the underlying mutual fund is invested and the income from the assets will or may be quoted in currencies which are different from the underlying fund's base currency. The performance of the underlying mutual fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the underlying mutual funds' base currency and hence there can be the prospect of additional loss or the prospect of additional gain to the investors greater than the usual risks of investment. The performance of the underlying fund may also be affected by changes in exchange control regulations.
- Investments in debt instruments and other fixed income securities of the underlying mutual funds/ETFs are subject to default risk, liquidity risk and interest rate risk. Interest rate risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. Consequently, the value of the portfolio may be subject to fluctuation.
- All risks associated with mutual funds in the portfolio, including performance of their underlying stocks, derivative instruments, stock-lending, investments in foreign securities etc., will therefore be applicable in the case of Portfolio.
- There are inherent risks arising out of investment objectives, investment approach, asset allocation and non-diversification of Portfolio.
- In case of investments in mutual fund, the Client pays the recurring expenses of the Portfolio Manager in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what the Client may have received had the Client invested directly in the underlying securities of the mutual fund schemes.
- After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be a delay in deployment. In such a situation the Client may suffer opportunity loss without any indemnity for such opportunity loss by the Portfolio Manager.
- The performance of the Portfolio may be affected by changes in government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- The Portfolio may be subject to risks pertaining to transaction in units through stock exchange mechanism like:
  - Absence of prior active market
  - Trading in units may be halted
  - Lack of market liquidity
  - Units of the scheme may trade at prices other than Net Asset Value
  - Regulatory Risk
  - Reinvestment Risk
  - Risk of substantial redemptions

#### **Risk pertaining to Investments**

### Investment in Securities/Instruments

- The Client Portfolio may comprise of investment in listed/unlisted securities, fixed income securities, debt securities/products and in case of such securities as permitted under the Applicable Laws, the Portfolio Manager's ability to protect the investment or seek returns or liquidity may be limited.
- In case of in-specie distribution of the Securities by the Portfolio Manager upon termination or liquidation of the Client Portfolio, the same could consist of such Securities for which there may not be a readily available public market. Further, in such cases the Portfolio Manager may not be able to transfer any of the interests, rights or obligations with respect to such Securities except as may be specifically provided in the agreement with Portfolio Entities. If an in-specie distribution is received by the Client from the Portfolio Manager, the Client may have restrictions on disposal of assets so distributed and consequently may not be able to realize full value of these assets.
- Some of the Portfolio Entities in which the Portfolio Manager will invest may get their Securities listed with the stock exchange after the investment by the Portfolio Manager. In connection with such listing, the Portfolio Manager may be required to agree not to dispose of its securities in the Portfolio Entity for such period as may be prescribed under the Applicable Law, or there may be certain investments made by the Portfolio Manager which are subject to a statutory period of non-disposal or there may not be enough market liquidity in the security to effect a sale and hence Portfolio Manager may not be able to dispose of such investments prior to completion of such prescribed regulatory tenures and hence may result in illiquidity.
- The Client Portfolio may be invested in listed securities or in unlisted schemes where the underlying portfolio may be listed and as such may be subject to the market risk associated with the vagaries of the capital market.

The Portfolio Manager may also invest in Portfolio Entity/ies which are investment vehicles like mutual funds/trusts or financial instruments. Such investments may present greater opportunities for growth but also carry a greater risk than is usually associated with investments in listed securities or in the securities of established companies, which often have a historical record of performance.

### Management and Operational risks

#### **Reliance on the Portfolio Manager**

- The success of the PMS will depend to a large extent upon the ability of the Portfolio Manager to source, select, complete and realize appropriate investments and also reviewing the appropriate investment proposals. The Portfolio Manager shall have considerable latitude in its choice of Portfolio Entities and the structuring of investments. Furthermore, the team members of the Portfolio Manager may change from time to time. The Portfolio Manager relies on one or more key personnel and any change/removal of such key personnel may have material adverse effect on the returns of the Client.
- The investment decisions made by the Portfolio Manager may not always be profitable.
- Investments made by the Portfolio Manager are subject to risks arising from the investment objectives, investment approach, investment strategy and asset allocation.

Exit Load: Client may have to pay Exit Load to withdraw the funds/Portfolio (as stipulated in the Agreement with the Client). In addition, they may be restricted / prohibited from transferring any

of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Agreement and in the Regulations.

*Non-diversification risks:* This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments.

*No Guarantee:* Investments in Securities are subject to market risks and the Portfolio Manager does not in any manner whatsoever assure or guarantee that the objectives will be achieved. Further, the value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as delisting of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.

*Lack of history:* The Portfolio Manager has no operating history in respect of acting as a Portfolio Manager in IFSC, with which its performance may be comparatively evaluated. There can be no assurance that the Portfolio Manager will achieve its investment objectives.

*Key managerial personnel:* The Portfolio Manager will be selecting suitable portfolio investments. A material adverse effect on the returns of the investment may be created by the loss of one or more key managerial personnel of the Portfolio Manager who are responsible for managing portfolios. In case of loss of one or more key managerial personnel of the Portfolio Manager, the Portfolio Manager would endeavor to introduce a competent person.

### **Counterparty Risks**

The portfolio will also be exposed to a counterparty risk in relation to the brokers, vendors, and other parties with whom they transact.

### **Pricing and Valuation Risks**

For quoted investments, a valuation price can be obtained from an exchange or similarly verifiable source. However, investment in unquoted and/or illiquid investments and investments in markets that may be closed for holidays or other reasons will increase the risk of mispricing. In these and similar cases, an objective verifiable source of market prices will not be available and the Portfolio Manager may follow a process which will determine fair value for the relevant investments and this process may involve assumptions and subjectivity. "Fair value" is generally defined as the price that would be received to sell an asset in an orderly transaction between market participants at the transaction / valuation date. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Portfolio's investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. Additionally, the values assigned to investments that are valued by the Portfolio Manager are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated.

### **Currency risk**

Contributions to the portfolio management services will be denominated in U.S. Dollars. However, the strategy may invest in securities denominated in currency (other than U.S. Dollars). Any dividends, sale proceeds, interest and return of capital contributions in respect of such portfolio companies will likely be paid in currency (other than U.S. Dollars) and subsequently converted into U.S. Dollars for repatriation. A change in value of such currency against the U.S. Dollar will cause a corresponding change in the U.S. Dollar value of the

investments that are denominated in the currency (other than U.S. Dollars). Such changes may also affect the Client's income and profitability. Any change in trading policy by the global bank can significantly and suddenly influence exchange rates from time to time. Other factors that may affect currency values include trade balances, the level of short-term interest rates, long-term opportunities for investment and capital appreciation and political developments. The Client may incur costs in converting from one currency to another. The Portfolio Manager may employ hedging techniques for select Clients to minimize these risks, but there can be no assurance that such strategies will be effective.

The assets in which the underlying fund is invested and the income from the assets will or may be quoted in currencies which are different from the underlying fund's base currency. The performance of the underlying fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the underlying funds' base currency and hence there can be the prospect of additional loss or the prospect of additional gain to the investors greater than the usual risks of investment. The performance of the underlying fund may also be affected by changes in exchange control laws (as may be applicable).

### **Payment of fees and expenses regardless of profits**

Portfolio will incur obligations to pay management, operating, legal, accounting, auditing, custodial and other related fees and expenses. In addition, a Portfolio will incur obligations to pay brokerage commissions and other transaction costs to securities brokers and dealers. The foregoing fees and expenses are payable regardless of whether a Portfolio realizes any profits from its investment operations. In accordance with the operating agreement of a Portfolio, amounts owing to a Portfolio's creditors will be paid before amounts payable to shareholders. It is possible that a Portfolio will not realize any profits in excess of such amounts. Distributions in respect of Investors are not guaranteed, and Investors shall not have recourse to any assets or property of the Portfolio Manager, any of its affiliates or any of a Portfolio's other service providers in connection therewith.

### **Global Risks**

Political, economic and social risks: Political instability or changes in the government could adversely affect economic conditions generally and the Portfolio Manager's business in particular.

Investments by Portfolio Manager in global jurisdictions will be subject to a number of risks inherent in the jurisdictions in which the Portfolio Entity is operating or Portfolio Manager makes investment, which could have an adverse impact on the Client Portfolio, including; (a) changes in the interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments; (b) worldwide military and political environment, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in such jurisdictions; (c) a slowdown in economic growth or macro-economic imbalances; (d) restrictions on currency or capital repatriations; currency fluctuations and devaluations; (e) imposition or changes in enforcement of local content laws; (f) unexpected changes in regulatory requirements; and other forms of government regulation and economic conditions that are beyond the control of the Portfolio Manager.

Inflation and rapid fluctuations in inflation rates have had, and may have, negative effects on the global economies and securities. International crude oil prices and interest rates will have an important influence on whether economic growth targets will be met. Any sharp increases in interest rates and commodity prices, such as crude oil prices, could reactivate inflationary

pressures on the local economy and negatively affect the medium-term economic outlook of the Portfolio Manager.

Many countries have experienced outbreaks of infectious illnesses in recent decades, including but not limited to severe acute respiratory syndrome and the COVID-19. The COVID-19 outbreak has resulted in numerous deaths and the imposition of both local and more widespread "work from home" and other quarantine measures, border closures and other travel restrictions, causing social unrest and commercial disruption on a global scale. The ongoing spread of the COVID-19 has, had, and will continue to have a material adverse impact on portfolio entities, local economies and also the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. Additionally, the Portfolio Manager's operations could be disrupted if any of its member or any of its key personnel contracts the COVID-19 and/or any other infectious disease. Any of the foregoing events could materially and adversely affect the Portfolio Manager's ability to source, manage and divest its investments and its ability to fulfil its investment objectives. Similar consequences may arise with respect to other comparable infectious diseases.

**Legal and Tax risks:**

**Tax risks:** The value of an investment may be affected by the application of tax laws, including withholding tax, or changes in government or economic or monetary policy from time to time as may be applicable to specific clients. There can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the specified Portfolio as applicable to specific Clients will endure indefinitely. The tax consequences of an investment in the Portfolio is complex, and the full tax impact of an investment in the Portfolio will depend on circumstances particular to each Client/ Investor and investment in question. Alternative tax positions adopted by the income tax authorities could also give rise to incremental tax liabilities in addition to the tax amounts already paid by the Investors. An increase in these taxes, duties or levies, or the imposition of new taxes, duties or levies in the future may have a material adverse effect on the Client Portfolio's profitability. The Client should, therefore, consult an independent tax advisor to understand the relevant tax considerations of availing of the Portfolio Management Services.

**General Anti-Avoidance Rules ("GAAR"):** The GAAR provide that an arrangement whose main purpose is to obtain a tax benefit and which also satisfies at least one of the four specified tests (i.e. arrangement is not in arm's length, misuse or abuse of tax laws, lacks or is deemed to lack commercial substance or not carried out for bonafide purpose) can be declared as an "impermissible avoidance arrangement". Further, the GAAR provisions, if invoked, could override the provisions of the applicable Double-taxation Avoidance Agreements ("DTAA").

The provisions of GAAR would be applicable to any transaction undertaken on or after April 1, 2017. There is a risk that the Indian tax authorities could challenge transactions entered into by the Client under the GAAR provisions, which could result in additional tax liabilities to the Client.

**Multilateral Convention to implement tax treaty related measures to prevent Base Erosion and Profit Shifting ("MLI"):** Client should be aware that on 7 June 2017, several countries signed a multilateral convention implementing tax treaty related measures arising from the OECD's "Action Plan on Base Erosion and Profit Shifting" or "BEPS" initiative. The effect of the multilateral convention will be to amend the terms of existing bilateral tax treaties between the signatory states (once ratified domestically by the relevant states) to introduce either a "principal purpose" or "limitation on benefits" restriction (or, in some cases, both) into the existing tax treaties in force between the signatory states. This could result in additional reporting and disclosure obligations for Client and/or the Portfolio Manager and/or additional tax being suffered by the Client, which may adversely affect the returns for the Client.

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty.

On June 25, 2019, India has taken the final step for implementation of MLI by depositing its instrument of ratification with the OECD. The MLI entered into force from 1 October 2019 and operational with effect from the financial year beginning from 1 April 2020 in respect of certain treaties signed by India.

**Change in Regulation:** Any change in the Regulation and/or other Applicable Laws or any new direction issued by the IFSCA may adversely impact the operation of the PMS.

**Changes in Tax Residency** - The ITA provides that a corporate taxpayer shall be a tax resident in India in a given financial year if: (i) it is incorporated in India; or (ii) its POEM during the year is in India. The POEM is based on the place where key management and commercial decisions of the entity as a whole are taken. No clarity exists as to the meaning of the term "effective management". The CBDT issued a circular on 24 January, 2017, on the "Guiding Principles for determination of POEM". The ITA also provides that a non-corporate taxpayer, except an individual, shall be a tax resident in India in a given financial year in every case except where during the year under consideration, the control and management of its affairs is situated wholly outside India. The concept of "control and management" signifies the power to control and direct i.e. the head and brain which directs the affairs of policy, finance, disposal of profits and such other vital things consisting the general and corporate affairs of the entity.

While the Portfolio Manager believes that the activities of clients and the Portfolio Manager should not impact the residential status of the taxpayers in India, there may be a risk the Indian tax authorities will claim that these activities have resulted in the client being treated as resident in India. If for any reason such a decision was taken, then the global profits of the client could be subject to taxation in India.

**Diverse Interest:** The Investors may have conflicting investment, tax, and other interests with respect to their investments in a Portfolio. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Portfolio, the structuring or the acquisition of investments and the timing of disposition of investments. Consequently, conflicts of interest may arise in connection with decisions made by the Portfolio Manager that may be more.

**Bankruptcy of Portfolio Entity:** Various laws enacted for the protection of creditors may operate to the detriment of the PMS if it is a creditor of a Portfolio Entity that experience financial difficulty. For example, if a Portfolio Entity becomes insolvent or files for bankruptcy protection, there is a risk that a court may subordinate the Portfolio Investment to other creditors. If the PMS/Client holds equity securities in any Portfolio Entity that becomes insolvent or bankrupt, the risk of subordination of the PMS's/Client's claim increases.

**Change in Regulation:** The Portfolio Manager shall comply with Applicable Laws. If policy announcements or legal/regulatory changes occur, they may require retrospective changes in the structure or operations of the Portfolio and may adversely impact the performance of the Portfolio Manager.

**Omnibus Account:** Under the Regulations, if the Portfolio Investments of the Client are in the jurisdictions permitting omnibus account structure, the Portfolio Manager shall ensure that the investment using omnibus structure is pursuant to prior consent of the Client and adequate checks are in place to ensure that the clients' Securities are earmarked separately ('**Omnibus Account**'). Thus, the Portfolio Manager shall seek prior consent of each of the Client to make

investments through Omnibus Account. The risk involved with holding Securities in Omnibus Account is that the Securities may not be subject to the same protection as that conferred on Securities held on a segregated basis. Although there are adequate checks and balances in place by the Custodians, in the course of settlement of transactions from the Omnibus Account (due to the nature of such holding and the operation of settlements into and from an Omnibus Account) circumstances could arise whereby the Client's assets as held in the pool are used to satisfy the transaction of another client whose assets are also held in the Omnibus Account. Further, on account of Securities and monies held in Omnibus Account, any receivables such as dividend, interest etc. shall be accrued on aggregate basis and allocated to each Client. In the event of insolvency of the bank, Custodian or other financial institution holding the Omnibus Account, the Client may not be able to fully recover the funds. Further, as the Securities and funds are commingled with those of other Clients, the Client may potentially be exposed to the losses of other Clients. Also, risk may arise wherein due to any operational errors made by the Custodian when performing a transaction or conducting the reconciliation of Omnibus Account balances may lead to an inadvertent writing-off of the Securities belonging to another client.

*Ring fencing of the operations of the SBI Funds Management Limited (IFSC Branch) from the Head Office - SBI Funds Management Limited*

As per the regulatory approvals received by SBI Funds Management Limited, any liability that may arise at the SBI Funds Management Limited (IFSC Branch) will have to be fulfilled by SBI Funds Management Limited (IFSC Branch) and cannot be passed-on to the SBI Funds Management Limited - the head office.

**FPI Registration**

To the extent of investment in listed securities in India, the Client will need to seek registration as Foreign Portfolio Investor (FPI). The value of Portfolio Investments may be affected by changes or developments in the legal and regulatory climate in India. SEBI regulates the securities market in India and legislates from time to time on matters affecting the stock market. SEBI has issued regulations that affect investment in India, including regulations on takeovers, raising funds and insider dealing. The regulations affect the pricing, cost of a transaction and the ability to conduct due diligence. SEBI and/or the Government of India may make changes to regulations which may affect the ability of the Portfolio Manager to make, or exit, investments for a Client.

Under the FPI Regulations, FPIs, on their own behalf, may only invest in equity below 10% of the paid-up capital of an Indian company or 10% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and total holdings by all FPIs put together shall not exceed 24% (twenty four percent) paid-up equity capital on a fully diluted basis or paid-up value of each series of debentures or preference shares or share warrants. The limit can be extended to the applicable sectoral caps prescribed by the RBI if the board of directors of the Indian company approves it followed by an approval by way of special resolution of general body of the Indian company, and prior intimation about the increase is provided to RBI. The investment of the Client shall be accordingly restricted to that extent.

Further, for investment in debt securities, the FPI will need to bid for Corporate Debt limit and investments in debt securities shall be accordingly constrained to the extent of limit available for a FPI to invest.

**Loss of FPI Registration**

The investments by the Client in India as FPI, shall be dependent upon the continued registration as FPI. If the registration as FPI is terminated, the Client may be forced to redeem its investments, and such forced redemption could adversely affect the returns.

Any investigations of, or actions against, the Portfolio Manager or any of its investors initiated by SEBI or any other regulatory authority may impose a ban on the investment and trading activities for the Client.

**Cyber security risks:**

The Portfolio and its service providers are susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cyber security incidents affecting the Portfolio Manager, Administrator or Depositary or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with a Portfolio's ability to calculate its portfolio value; impediments to trading for a Portfolio's portfolio; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance costs. Similar adverse consequences could result from cyber security incidents affecting issuers of securities in which a Portfolio invests, counterparties with which a Portfolio engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties.

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

The investment activity is exposed to various types of risks as referred above in “Risk Factors”. The Client unconditionally understands and agrees that the non-discretionary advisory services / investment being rendered / made under the Agreement to carry out investment objective of the respective scheme, have an inherent risk and the Client shall under no circumstances whatsoever considered / hold the Portfolio Manager liable in a manner whatsoever as a result of services / transaction / investments made including for non-diversification.

**8. Conflict of Interest**

The services rendered by the Portfolio Manager will be subject to conflict of interest relating to SBI Funds Management Limited (IFSC) and various other offices/affiliates/associates/group companies of the Portfolio Manager (“**Relevant Parties**”), which are engaged in a broad spectrum of activities in the financial sector.

Some of the possible conflicts of interest and potential conflicts of interest are outlined below:

a) Conflicts of interest related services offered by the group companies or associates of the Portfolio Manager

The Portfolio Manager and its group companies/associates are engaged in a broad spectrum of activities in the financial services sector. The Portfolio Manager may utilize such services of its group companies or associates for managing the Portfolios of the Clients. These include custody, distribution and demat services, trading, broking and distribution services provided by associate company. The Portfolio Manager may avail the services of other group companies as may be deemed necessary, from time to time.

The Client's funds may be invested in schemes of funds managed by the Portfolio Manager or group companies/associates of the Portfolio Manager, which may earn fees on such investment as stated in the respective scheme information document.

Further, the Portfolio Manager will, before investing in the securities of associates / related parties, evaluate such investments. The criteria for evaluation of such investments would be same as those that are applied to other similar investments in the Portfolio. Investments under the Portfolio in the securities of the Related Parties/associates and would be subject to the prudential limits prescribed in the Agreement executed with the respective Client and the same would be subject to the applicable laws/regulations/guidelines.

In such scenarios, the Portfolio Manager shall act in a fiduciary capacity in relation to the Client's funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates, in a manner as per the policies and procedures of the Portfolio Manager for managing conflicts of interest.

b) Conflicts of interest related to the services / products / securities offered by the Relevant Parties including Amundi Asset Management and its affiliates

The Portfolio Manager may invest Client's funds in the products / schemes of funds managed / advised by the Relevant Parties including Amundi Asset Management and its affiliates, which may or may not earn fees on such investment as stated in the respective scheme information document. Further, the Portfolio Manager will, before investing in such schemes / products / securities evaluate such investments. The criteria for evaluation of such investments would be same as those that are applied to other similar investments in the Portfolio and on an arms-length basis.

c) The Portfolio Manager and/or any of the Relevant Parties may act as an investment manager/advisor to other clients/alternative investment funds/entities/mutual funds, other portfolio management accounts, ('**Other Accounts**') under its advisory/management business by identifying, evaluating and recommending investments to its clients. Portfolio Manager can make recommendations to the Client for making investments in permissible securities/instruments that may be same or similar to those in which Other Accounts invests and trades, and may be such that the buy/sell positions advised hereunder compete with, occur ahead of or are opposite in nature to those of such Other Accounts due to a variety of factors including but not limited to the following:

- Different investment objectives/strategy and time horizons: The Portfolio Manager may be building a long position in an investee company for the Other Accounts for which it acts as a manager but may choose to sell the same on behalf of the Client in accordance with the relevant investment objectives/strategies and vice-versa;
- To meet redemption demands: The Portfolio Manager may be building a long position in an investee company for the Other Accounts but may choose to sell the same on behalf of the Client to meet redemption demands and vice-versa.
- To meet requirements under Applicable Laws: The Portfolio Manager may be building a long position in an investee company for the Other Accounts but may

choose to sell the same on behalf of the Client to meet the requirements under Applicable Laws including to comply with the investment limits prescribed under the Applicable Law and vice-versa.

- d) The Portfolio Manager, while managing the funds of Client, may from time to time, effect transactions in securities in which the Portfolio Manager may have a financial or other business interest.
- e) The Relevant Parties providing services to the Client will have, in addition to their responsibilities for the Client, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst various projects and clients.
- f) The Portfolio Manager and/or any of the Relevant Parties can act as manager/advisor to any of the Portfolio Entity/ies, charge fee for the services rendered to them, provide broad range of financial services, from time to time and earn fee in addition to the fee charged to the Client under the Agreement. Any conflict arising out of any such relationships would be managed by the Portfolio Manager subject to Applicable Law and Fund Management Regulations and as per the policies and procedures followed by the Portfolio Manager.
- g) The Portfolio Manager may subject to Applicable Laws, avail services of its holding company/ associates/group companies including but not limited to research, back-office support, sales support etc. The Portfolio Manager will conduct its business with such associates/group/holding companies on commercial terms and on arms-length basis and at mutually agreed terms and conditions. Such services shall be availed only to the extent permitted under Applicable Laws.

#### **Policy Statements on Conflicts and Corporate Governance**

Conflict of interest would be inherent between the activities of the Portfolio Manager, Portfolio Entity/ies and the Relevant Parties. It is intended for such conflicts to be managed primarily by acting in good faith and complying with the Applicable Laws and certain policies and procedures followed by the Portfolio Manager to reduce the possibilities of such conflict.

The Portfolio Manager and its directors, officers and agents shall at times be obligated to exercise a standard of good faith in its dealings with the Client, other activities undertaken by the Portfolio Manager and any Portfolio Entity.

The Portfolio Manager will place significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest.

Further details pertaining to conflicts of interest is provided under Conflicts of Interest Policy.

*By Client agreeing to avail Portfolio Management Services and advisory services, prospective Client are deemed to have acknowledged the existence of the potential and/or actual conflicts of interest set forth above, and to have waived, to the greatest extent permissible under any Applicable Law, any claim with respect to, or arising from, the existence of any such conflicts.*

#### **9. Client Representation:**

- (i) The Portfolio Manager has recently set-up its branch office in IFSC i.e.- SBI Funds Management Limited (IFSC) and has no previous experience/track record in the field of portfolio management services and advisory services in IFSC, and therefore has no record of representing any persons/entities in the capacity of a portfolio manager.

(ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India. – Not Applicable for IFSC branch. Please also refer to disclosure for investment in associate / group companies in the disclosure document.

**10. The Financial Performance of Portfolio Manager (based on audited financial statements)**

Since the Portfolio Manager has been recently set-up in IFSC and has not started its operations actively, it does not have audited financial statement as on date.

**11. Performance of the Portfolio Manager**

The Portfolio Manager has no previous experience/track record in the field of portfolio management services in IFSC. Accordingly, the same is not applicable.

**12. Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority against the portfolio manager and its principal officers, directors/ partners/ designated directors and key managerial personnel.:**

Some ordinary routine litigations incidentals to the business (in capacity of Asset Management Company of SBI Mutual Fund) of the Portfolio Manager are pending in various forums.

Apart from this, following are the details of Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority against the SBI Funds Management Limited in a capacity of Investment Manager to the SBI Mutual Fund:

(a) SEBI has initiated an investigation for the transactions in the shares of M/S Polaris Software Lab Limited, made during the period April 01, 2002 to May 31, 2002 by SBI Mutual Fund, having suspected SBI Mutual Fund of indulging in insider trading on account of proposed merger of M/s Orbi Tech Solutions with M/s Polaris Software Lab Limited, i.e. 'unpublished price sensitive information' about Polaris under the SEBI (Insider Trading Regulation) Regulation, 1992. SBIMF has denied having violated of any insider trading regulation or SEBI Act. SEBI had issued a show cause notice on June 20, 2007 and SBIMF has replied to SEBI on June 30, 2008. Since then, there has been no further communication on the matter from SEBI till date.

(b) Settlement order in the matter of M/s. Padmini Technologies Limited ("PTL"):

SEBI had initiated an investigation into certain transactions in the shares of M/s. Padmini Technologies Limited ("PTL"), during the period 2000-2001, which included an inquiry into the investments made by SBI Mutual Fund in the shares of PTL. The Central Bureau of Investigation had also investigated about various aspects of transactions in the shares of PTL which included investments by various schemes of SBI Mutual Fund during the period. A case was subsequently filed in the Sessions Court at Mumbai in 2006 against some ex-employees of the Company. SBI FUNDS MANAGEMENT LIMITED ("SBIFML"), SBI Mutual Fund Trustee Company Pvt. Ltd. and SBI Mutual Fund are not parties to this case. The internal investigations conducted by the Chairman, Board of Trustees, SBI Mutual Fund, however, had ruled out any questionable intentions of SBI Mutual Fund in the matter.

Further, a show cause notice dated January 29, 2010 ("2010 SCN") was received from SEBI in the matter and SBI Mutual Fund has replied to the show cause notice countering the allegations made by SEBI. SBI Mutual Fund had also made an application to SEBI to

settle the matter through the consent process, i.e., on a no-fault basis, without accepting or denying guilt. The said consent proposal has not been accepted by SEBI vide its letter dated March 22, 2013. A fresh Show Cause Notice dated May 28, 2013 ("2013 SCN") has been issued enclosing a copy of an enquiry report conducted again by a Designated Authority, recommending a prohibition on SBI Mutual Fund from launching any new mutual fund schemes for a period of 12 months. In terms of the opportunity made available in the 2013 SCN to avail the consent process, SBI Mutual Fund had filed a consent application which was returned by SEBI stating that the consent application by SBIFML shall not be reconsidered by SEBI.

Pursuant to Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014 ("Settlement Regulations"), the Fund house had filed the consent application on March 14, 2017, without admission or denial of guilt, in full and final settlement of all proceedings.

In this connection, SBIFML has paid full settlement charges and agreed to undertake certain non-monetary settlement terms. SEBI vide its settlement order dated September 28, 2018, has disposed the pending proceedings in the underlying matter of PTL.

(c) Show Cause Notice received from SEBI in the matter of Manappuram Finance Limited:

The Securities and Exchange Board of India (SEBI) has instituted adjudication proceedings in respect of Manappuram Finance Limited (MFL) and has issued a show cause notice dated May 29, 2019 (SCN), under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officers) Rules, 1995 and Rule 4(1) of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005, inter alia, to SBI FUNDS MANAGEMENT LIMITED (SBIFM), as one of the notices for the alleged violation of Sections 12A(d) and 12A(e) of the SEBI Act, 1992 read with Regulations 3(i), 3A and 4 of the SEBI (Prohibition of Insider Trading) Regulations, 1992 read with Regulation 12(2) of the SEBI (Prohibition of Insider Trading) Regulations, 2015. It has, inter alia, been alleged in the SCN that SBIFM traded in the scrip of MFL when in possession of unpublished price sensitive information. In terms of the SCN, SEBI had called upon, inter alia, SBIFM to show cause as to why an inquiry be not held against it in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 and Rule 4 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 read with Section 15-I of the SEBI Act, 1992, and penalty be not imposed in terms of the provisions of Section 15G(i) of the SEBI Act, 1992. SBIFM had submitted its reply to the SCN on August 07, 2019. Thereafter, pursuant to an opportunity of personal hearing granted to SBIFM by the Hon'ble Adjudicating Officer, SEBI (AO), the authorized representatives of SBIFM appeared before the AO on November 14, 2019 and made due submissions in the matter. Subsequently, SBIFM has also filed written submissions in the matter to SEBI on November 27, 2019. SEBI vide its order dated April 13, 2020, has disposed of the SCN in the matter without any penalty.

### **13. Audit Observations**

The Portfolio Manager is newly set-up in IFSC and has no audit observation for the current financial year. Accordingly, the same is not applicable.

### **14. Nature of expenses**

The following are the general costs and expenses to be borne by the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services is annexed to the Agreement in respect of each of the services provided.

i. Management fee:

The management fee relates to the Portfolio Management Services offered to the Clients. The fee may be a fixed charge or a percentage of the quantum of the funds being managed as agreed in the Agreement. "Per annum would be based on 365 days in a normal year and 366 days in case of leap year".

ii. Advisory fees:

The advisory fees relates to the advisory services offered by the Portfolio Manager to the client. The fee may be a fixed charge or a percentage of the quantum of the funds being advised as agreed in the Agreement.

iii. Performance fee:

The performance fee relates to the share of profits charged by the Portfolio Manager, subject to hurdle rate and high water mark principle as per the details provided in the Agreement.

**High Water Mark Principle:** High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. The portfolio manager shall charge performance-based fee only on increase in portfolio value in excess of the previously achieved high water mark.

iv. Exit Load:

The Portfolio Manager may charge early withdrawal fee as a percentage of the value of the Portfolio /withdrawn Portfolio as per the terms and conditions of a particular Product as agreed in the Agreement.

v. Other fees and expenses:

The Portfolio Manager may incur the following expenses which shall be charged/reimbursed by the Client:

- (a) Transaction expenses including, but not limited to, statutory fees, documentation charges, statutory levies, stamp duty, registration charges, commissions, charges for transactions in Securities, custodial fees, fees for fund accounting, valuation charges, audit and verification fees, depository charges, and other similar or associated fees, charges and levies, legal fees, incidental expenses etc.;
- (b) Brokerage shall be charged at actuals;
- (c) Legal and statutory expenses including litigation expenses, if any, in relation to the Portfolio and/or in relation to the portfolio management services and advisory services being provided under the license;
- (d) Statutory taxes and levies, if any, payable in connection with the Portfolio;
- (e) Valuation expenses, valuer fees, audit fees, levies and charges;
- (f) All other costs, expenses, charges, levies, duties, stamp duty or other cost if any on the management service agreement and power of attorney, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above, whether agreed upon in the Agreement or not, arising out of or in the course of setting-up of the scheme, managing or operating the Portfolio.

vi. Fees, exit load & other charges in respect of investment in mutual fund / other investment schemes

Mutual funds or any investment scheme shall be recovering expense or management fee, exit load and other incidental expenses along with statutory levies, if any, on such recoveries and such fee, entry /exit load and charges including statutory levies on such recoveries shall be paid to the asset management companies of these mutual funds/investment scheme/s on the client accounts. Such fees and charges are in addition to the portfolio management fee and other cost and expenses described above.

vii. **Securities lending and borrowing charges.**

The charges pertaining to the lending of securities, cost associates with transfer of securities connected with the lending and borrowing transfer operations.

viii. **Certification and professional charges**

The charges payable for outsourced, professional services like accounting, taxation and legal services, notarization etc. for certification, attestations required by banker or regulatory authorities.

## **15. Taxation**

### **General**

The information stated herein below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided for general information to the Investor only vis-à-vis the investments made through the PMS provided by the Portfolio Manager. This summary gives the direct tax implications on the understanding that the Securities are/will be held for the purpose of investments as capital asset. In case the Securities are held as stock-in-trade, the tax treatment will substantially vary. Further, the issue as to whether the investments are held as capital assets or stock-in-trade needs to be examined on a case-to-case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment shall endure indefinitely.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Portfolio Manager to induce any Investor, prospective or existing, to avail the PMS of the Portfolio Manager. Implications of any judicial decisions/double tax avoidance treaties, etc. are not explained herein. In view of the individual nature of the tax benefits, interpretation of circulars for distinguishing between capital asset and trading asset, etc., the Investor is advised to consult its or his or her own tax consultant, with respect to the specific tax implications, arising out of its or his or her Portfolio managed by the Portfolio Manager. Further, tax implications may also vary depending on the form of offshore entity (i.e. variable capital company, trusts, LP, etc.) in which investments are proposed to be made and from which income shall be distributed/ paid.

It is the responsibility of all prospective Investors to inform themselves as to any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the securities.

Tax rates provided herein are based on the assumption that investment shall be made in securities listed on stock exchange outside India, including equity oriented mutual funds/ ETFs traded outside India, etc.

The following summary is based on the law and practice of the Income-tax Act, 1961 (the 'ITA'), the Income-tax Rules, 1962 (the 'IT Rules') and various circulars and notifications issued thereunder from time to time. The ITA is amended every year by the Finance Act of the relevant year and this summary reflects the amendments as per the Finance Act, 2023 for financial year

('FY') 2023-24 [relevant to assessment year ('AY') 2024-25] and are exclusive of surcharge and education cess as applicable, unless specified otherwise.

The Portfolio Manager accepts no responsibility for any loss suffered by any Investor as a result of current taxation law and practice or any changes thereto.

It is also clarified that an omnibus account has been set-up from an administrative convenience purpose and the beneficial ownership of the securities will always remain with the Clients.

The Portfolio Manager accepts no responsibility of tracking the residential status of the Clients. The Clients agree and undertake to give prior written intimation to the Portfolio Manager in the event of proposed change in residential status. The Clients will be fully responsible and liable to discharge appropriate taxes, both, domestic as well as overseas.

The Portfolio Manager shall act in a fiduciary capacity and will act as a trustee and agent of the Client Portfolio.

### **Taxation in the hands of investors**

#### **A. Characterisation of income**

Income arising from the transfer of Securities held by the Investor may be treated either as 'Capital Gains' or as 'Business Income' for tax purposes, depending upon whether such securities were held as a capital asset or a trading asset (i.e., stock-in-trade). Traditionally, the issue of characterisation of gains (whether taxable as Business Income or Capital Gains) has been a subject matter of litigation with the tax authorities. There have been judicial pronouncements on whether gains on transfer of securities should be taxed as 'Business Income' or as 'Capital Gains'. However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of each case. Also, the Central Board of Direct Taxes ('CBDT') has provided guidance, vide its Instruction: No. 1827, dated 31 August 1989 ('CBDT Instruction') and Circular No. 4/2007, dated 15 June 2007 ('CBDT Circular 2007'), in respect of characterisation of gains as either Capital Gains or Business Income.

Following are the key illustrative factors, indicative of Capital Gains characterisation (and not Business Income): -

- (a) Intention at the time of acquisition - capital appreciation;
- (b) Low transaction frequency;
- (c) Long period of holding;
- (d) Shown as investments in books of accounts (and not as stock in trade);
- (e) Use of owned funds (as opposed to loan) for acquisition; and
- (f) Main object in constitution document is to make investments.

No single criteria should be decisive to determine whether or not the income is in the nature of capital gains or business income. The characterisation should depend on the total effect of all criteria applicable to the facts of the case.

Further, the CBDT had issued a circular no. 6/2016 dated 29 February 2016 ('CBDT Circular 2016'), clarifying the issue of taxability of gains arising on sale of listed shares and securities. The CBDT Circular 2016, laid down guiding principles to characterise the gains from sale of listed shares and securities, either as Business Income or Capital Gains. It had clarified that the income-tax officer would not dispute any income arising from transfer of listed shares and securities held for more than 12 (twelve) months, if the same was treated as, and offered to tax under, the head 'Capital Gains', subject to genuineness of the transaction being established. In this regard, it is also pertinent to note that the listed shares mentioned in the aforementioned

circular should be understood to mean shares listed on an Indian stock exchange. However, the CBDT Circular 2016, did not deal with the treatment of Capital Gains arising on transfer of unlisted shares.

To avoid disputes/ litigation and to have a consistent view in assessments, the CBDT had issued an instruction on 2 May 2016, to the tax department, on determining the tax treatment of income arising from transfer of unlisted shares, providing that the income from transfer of unlisted shares would be treated as 'Capital Gains' irrespective of period of holding. However, the CBDT has carved out the following 3 (three) exceptions for the tax department to take an appropriate view, if:

- a) The genuineness of transactions in unlisted shares itself is questionable;
- b) The transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or
- c) The transfer of unlisted shares is made along with the control and management of underlying business.

## B. Tax Rates

The tax rates mentioned below relate to the FY 2023-24 (i.e., relevant to AY 2024-25) and are exclusive of surcharge and health and education cess, unless specified otherwise. These tax rates have been provided on the assumption that the investments are held by the investors as capital asset.

The tax rates applicable to different categories of assesses are as follows:

Category of assessee	Rate
Resident individual & HUF*	30%
Partnership Firms & Indian Companies (other than specified companies below)	30%
Indian Companies having turnover less than INR 400 crores during the FY 2021-22	25%
Company opting for section 115BAA	22%
Company opting for section 115BAB	15%
Non-resident Indians ('NRI')	30%
Foreign Companies	40%
Foreign non-corporates	30%

\* For ease of reference, the old tax slab rates (i.e., for AY 2022-23) for individuals are provided herein below:

Total Income	Tax rates
Up to INR 250,000	Nil
From INR 250,001 to INR 500,000	5%
From INR 500,001 to INR 1,000,000	20%
INR 1,000,001 and above	30%

The Finance Act, 2023 has inserted section 115BAC(1A) under the ITA which introduced revised slab rates and such revised slab rates shall be considered to be the default slab rates. The revised slab rates under section 115BAC(1A) of the ITA are as follows:

Total Income	Tax rates
Up to INR 300,000	Nil
From INR 300,001 to INR 600,000	5%
From INR 600,001 to INR 900,000	10%
From INR 900,001 to INR 1,200,000	15%

From INR 1,200,001 to INR 1,500,000	20%
INR 1,500,001 and above	30%

**Surcharge rates leviable on income-tax are provided below:**

Sr No.	Particulars	Rate (in %)
<b>Resident investors</b>		
1	<u>Companies (other than covered under section 115BAA and section 115BAB of ITA)</u> - Total income exceeds INR 10 million but does not exceed INR 100 million - Total income exceeds INR 100 million	7% 12%
2	Companies (covered under section 115BAA and section 115BAB of ITA), irrespective of the amount of total income	10%
3	Firms (if total income exceeds INR 10 million)	12%
4	<u>Other taxpayers [being individuals/Hindu Undivided Family ('HUF')/ Association of Persons ('AoP')/ Body of Individuals ('BoI')]</u> - Total income exceeds INR 5 million but does not exceed INR 10 million - Total income exceeds INR 10 million but does not exceed INR 20 million - Total income exceeds INR 20 million but does not exceed INR 50 million - Total income exceeds INR 50 million  However, if the total income pertaining to such taxpayers comprises of income referred to in section 111A [short-term capital gains ('STCG')] or section 112/112A [long-term capital gains ('LTCG')] of the ITA or income by way of dividend, maximum surcharge applicable on such income shall not exceed 15% on income-tax.  The Finance Act, 2023 states that the rates provided under sub-section (1A) of section 115BAC shall be applicable unless an option is exercised under sub-section (6) of section 115BAC to opt out of the regime. Further, the option of opting back to the regime under sub-section (1A) of section 115BAC can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under this proposed new regime, the rate of surcharge shall be capped at 25% (instead of 37%).  Further, in case of AOPs that consist of only companies as their members, the maximum surcharge is restricted to 15%.	10% 15% 25% 37%

Further, health and education cess at the rate of 4% shall be leviable on aggregate of income-tax and surcharge on all assessees.

**C. Taxation in the hands of resident investors**

A person who is an Indian tax resident is liable to taxation in India on worldwide income, subject to certain tax exemptions, which are afforded under the provisions of the ITA. The tax implications in the hands of resident investors of the Portfolio Manager on different income streams are discussed below:

### *i. Dividend income*

Dividend income shall be taxable under section 56 of the ITA under the head 'Income from Other Sources' ('Other Income') at the tax rates applicable to the Indian resident investor. Further, no deduction shall be allowed for expenses against such dividend income, other than deduction of interest expenditure under section 57 of the ITA which shall be capped at 20% of the dividend income.

If the said dividend is taxed in the source country, subject to – (i) the conditions specified in the tax treaty entered into between India and the source country, and (ii) provisions pertaining to foreign tax credit (explained below) under the ITA and IT Rules, the assessee may be able to claim a credit of taxes paid in the source country, while making payment of taxes in India.

Dividend income received by	Tax Rate for the domestic investors
Resident companies (refer note a and b) - Opting for tax regime provided in section 115BAA of the ITA - Opting for tax regime provided in section 115BAB of the ITA - Companies with a turnover of less than INR 400 crores during FY 2021-22 - Others	- 22% - 15% - 25% - 30%
Firms / LLPs	30%
Others (refer note c)	As per applicable slab rates

Notes:

- a. Tax rates for domestic companies: A reduced tax rate of 25% (plus applicable surcharge and cess) in the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the FY 2021-22 is applicable. In such a case, the rate of tax on dividend income shall be 29.12% (where taxable income exceeds INR 10 crores) and 27.82% (where taxable income exceeds INR 1 crore but does not exceed INR 10 crores).
- b. Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 25.17% or 17.16%, respectively, subject to fulfilment of conditions prescribed therein.
- c. As per section 115BAC of the ITA, Individuals, HUFs, AOPs and BOIs will have an option to pay tax on its total income at the reduced tax rates. The total income would however have to be computed without claiming prescribed deductions or exemptions. Further, the Finance Act, 2023 states that the rates provided under sub-section (1A) of section 115BAC shall be applicable unless an option is exercised under sub-section (6) of section 115BAC to opt out of the regime. Further, the option of opting back to the regime under sub-section (1A) of section 115BAC can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under this new regime, the rate of surcharge shall be capped at 25% (instead of 37%) and consequently, the highest tax rate applicable to such persons would be 39.00%.
- d. As per the Finance Act 2023, the surcharge rate with respect to dividend income shall not exceed 15% in case of assessee, inter-alia, being individual, HUF, AOP and BOI.

- e. In case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 1 crore.

*ii. Interest and/or distributed income*

Under the ITA, interest and/or distributed income should be taxable in the hands of the resident investors as under:

Interest / distributed income received by	Tax Rate for the domestic investors
Resident companies (refer note a and b) <ul style="list-style-type: none"> <li>- Opting for tax regime provided in section 115BAA of the ITA</li> <li>- Opting for tax regime provided in section 115BAB of the ITA</li> <li>- Companies with a turnover of less than INR 400 crores during FY 2021-22</li> <li>- Others</li> </ul>	<ul style="list-style-type: none"> <li>- 22%</li> <li>- 15%</li> <li>- 25%</li> <li>- 30%</li> </ul>
Firms / LLPs	30%
Others (refer note c)	As per applicable slab rates

Notes:

- a. Tax rates for domestic companies: A reduced tax rate of 25% (plus applicable surcharge and cess) in the case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the FY 2021-22 is applicable. In such a case, the rate of tax on interest / distributed income shall be 29.12% (where taxable income exceeds INR 10 crores) and 27.82% (where taxable income exceeds INR 1 crore but does not exceed INR 10 crores).
- b. Further, the tax rates for domestic companies exercising the option under section 115BAA and section 115BAB of the ITA shall be 25.17% or 17.16% respectively, subject to fulfilment of conditions prescribed therein.
- c. As per section 115BAC of the ITA, Individuals, HUFs, AOPs and BOIs will have an option to pay tax on its total income at the reduced tax rates. The total income would however have to be computed without claiming prescribed deductions or exemptions. Further, the Finance Act, 2023 states that the rates provided under sub-section (1A) of section 115BAC shall be applicable unless an option is exercised under sub-section (6) of section 115BAC to opt out of the regime. Further, the option of opting back to the regime under sub-section (1A) of section 115BAC can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under this new regime, the rate of surcharge shall be capped at 25% (instead of 37%) and consequently, the highest tax rate applicable to such persons would be 39.00%.
- d. Section 57(iii) of the ITA allows deduction for expenses which are not capital in nature, and which are laid out or expended wholly and exclusively for the purpose of making or earning interest income.
- e. As per the Finance Act, 2023, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15% and accordingly, in that case, effective tax rate will be maximum of 35.88% in a case where taxable income exceeds INR 1 crore

### iii. Capital gains

Assuming offshore securities (including equity oriented mutual funds/ ETFs traded outside India) are held as capital assets by the investors, gains arising on such assets should qualify as capital gains. Investors shall be liable to pay taxes on capital gains income as under:

- **Period of holding**

As per section 45 of the ITA, any profits or gains arising from the transfer of capital assets are chargeable to income tax under the head 'capital gains'. Section 48 of the ITA provides that income chargeable as 'capital gains' is the difference between the full value of the consideration received or accrued for the transfer, on one hand, and the cost of acquisition / indexed cost of acquisition (as applicable) of such asset plus expenditure incurred wholly and exclusively in connection with such transfer, on the other.

Under the ITA, capital gains will be taxable in the hands of the investors depending on the nature of securities and the period of holding. The capital gains will be classified as LTCG or STCG depending upon the period of holding of the assets as below:

Nature of foreign asset	STCG	LTCG
For shares of companies	Held for not more than 24 months	Held for more than 24 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months

- **Taxation of capital gains**

Depending on the classification of capital gains, resident investors would be chargeable to tax as per the ITA as under:

Capital Gains received by	Tax rate for LTCG – on transfer of securities (other than bonds and debentures)	Tax rate for LTCG – on bonds and debentures	Tax rate for STCG
Resident companies (refer note a, b, c) - Opting for tax regime provided in section 115BAA/ 115BAB of the ITA - Companies with a turnover of less than INR 400 crores during FY 2021-22 - Others	20% (with indexation)	20% (without indexation)	- 22% - 25% - 30%
Firms / LLPs	20% (with indexation)	20% (without indexation)	30%
Others (refer note f)	20% (with indexation)	20% (without indexation)	As per applicable slab rates

Notes:

- a. Tax rates for domestic companies: As per the Finance Act, 2023, a reduced tax rate of 25% (plus applicable surcharge and cess) in case of domestic companies having total turnover or gross receipts not exceeding INR 400 crores in the FY 2021-22 would be applicable. In such a case, the rate of tax on STCG shall be 29.12% (where taxable income exceeds INR 10 crores) and 27.82% (where taxable income exceeds INR 1 crore but does not exceed INR 10 crores).
- b. Section 115BAA of the ITA provides for a lower tax rate of 22% in case of certain domestic companies subject to fulfilment of certain conditions. Further, surcharge rate at the rate of 10% and cess at the rate of 4% is applicable to companies opting to tax rate under the aforesaid section.
- c. Section 115BAB of the ITA provides for a tax rate of 22% for STCG on non-depreciable capital assets in case of certain domestic manufacturing companies subject to fulfilment of certain conditions. Further, surcharge rate at the rate of 10% and cess at the rate of 4% is applicable to companies opting to tax rate under the aforesaid section.
- d. Surcharge on capital gains taxable under section 111A, section 112 or section 112A of the ITA is restricted to 15%.
- e. In case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.
- f. As per section 115BAC of the ITA, Individuals, HUFs, AOPs and BOIs will have an option to pay tax on its total income at the reduced tax rates. The total income would however have to be computed without claiming prescribed deductions or exemptions. Further, the Finance Act, 2023 states that the rates provided under sub-section (1A) of section 115BAC shall be applicable unless an option is exercised under sub-section (6) of section 115BAC to opt out of the regime. Further, the option of opting back to the regime under sub-section (1A) of section 115BAC can be exercised only once by a taxpayer earning income from business or profession. However, a person not having income from business or profession shall be able to exercise this option every year. Under the new regime, the rate of surcharge shall be capped at 25% (instead of 37%) and consequently, the highest tax rate applicable to such persons would be 39.00%.

**iv. TCS on remittance made via liberalised remittance scheme ('LRS') route**

Under clause (a) of section 206C(1G) of the ITA, an authorised dealer who receives an amount for remittance out of India from a buyer, being a person remitting such amount out of India under LRS, shall at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer (by any mode) whichever is earlier, collect from the buyer TCS @ 5%. The TCS to be collected by an authorised dealer from the buyer shall be equal to 5% of the amount or aggregate of the amounts in excess of INR 7 lakh remitted by the buyer in a financial year, where the amount being remitted is for a purpose other than purchase of overseas tour program package.

For the purposes of the above provisions authorised dealer means a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of the Foreign Exchange Management Act, 1999 (42 of 1999) to deal in foreign exchange or foreign security.

As per the Finance Act, 2023 the rate of TCS to be collected on LRS remittances under the above provisions has been increased from 5% to 20% w.e.f. 1 July 2023. Further, the Finance Act, 2023 has also amended the provisions to remove the threshold of INR 7 lakh.

#### **D. Taxation in the hands of non-resident investors**

A non-resident investor would be subject to taxation in India only if, being a non-resident in India, it derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued in India in terms of the provisions of the ITA.

##### Exemption to non-resident investors

As per the provisions of section 10(4G) of the ITA, any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit in any International Financial Services Centre ('IFSC'), to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India, shall be tax exempt in India and no tax shall be payable on such income. Please note that a portfolio manager for the purpose of this provision is referred to as the portfolio manager as defined under the IFSCA (Capital Market Intermediaries) Regulations, 2021. However, the portfolio manager related regulations forming part of the IFSCA (Capital Market Intermediaries) Regulations, 2021 stand omitted as the same are now forming part of the IFSCA (Fund Management) Regulations, 2022. One could contend that the exemption was intended to cover portfolio managers operating in GIFT City and the same should be available even if portfolio managers are now regulated under the IFSCA (Fund Management) Regulations, 2022.

Thus, where monies are raised from a person resident outside India including NRIs for the purpose of investments in one or more overseas funds/ETFs or other securities listed/ traded outside India, the income received from such transactions by non-residents ought to be exempt from tax in India.

#### **E. Other aspects**

##### 1. Foreign tax credit

India has entered into double taxation avoidance agreements with many countries. The treaties allocate the taxing rights between the source country and the resident country. Many tax treaties contain the provisions that the capital gains arising from the alienation of shares of a company shall be taxable in the source country. Thus, the capital gains arising to a person resident of India from the transfer of foreign shares may be taxable both in the foreign country (on basis of source rule) and in India (on basis of residence rule). However, the foreign tax credit can be claimed in the country of residence for the taxes paid in the source state based on the foreign tax credit provisions under the ITA and IT Rules.

As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the Double Taxation Avoidance Agreement ('Tax Treaty') between India and the country of source. However, no assurance can be provided that the Tax Treaty benefits would be available to the resident investor, or the terms of the Tax Treaty would not be subject to amendment or reinterpretation in the future.

Where the income from foreign securities is taxable in both the countries (resident country and the source country) and the assessee has paid tax in the source country, he shall be allowed a credit for the same in the country of residence, by way of deduction or otherwise. The credit shall be allowed in the year in which assessee offers such income to tax or is assessed to tax in India. A resident taxpayer shall be required to furnish a statement of income that is offered to tax and the foreign tax which has been deducted or paid on such income to claim the credit. Such statement shall be furnished in Form No. 67 electronically on or before the due date for furnishing return of income in such other country.

## **2. Minimum Alternate Tax ('MAT') / Alternate Minimum Tax ('AMT')**

The ITA provides for levy of MAT on corporates and AMT on non-corporates. If MAT / AMT is held to be applicable to the Unit holders, then income receivable by such Unit holders from their investment in the Fund, should also be included to determine the MAT / AMT.

### **i. Resident Unit holders**

MAT at the rate of 15% plus surcharge and cess shall be levied on domestic companies except in case of life insurance companies referred to in section 115B and companies who have exercised option referred to in section 115BAA or section 115BAB of the ITA.

For domestic companies exercising option to pay tax at the rate of 22% (plus applicable surcharge and cess) under section 115BAA of the ITA, MAT credit shall not be available consequent to exercising such option. Further, MAT provisions shall not be applicable to such companies.

The ITA provides for the framework for computation of book profit for Indian Accounting Standards ('IndAS') compliant companies in the year of adoption and thereafter.

AMT at the rate of 18.5% (plus applicable surcharge and cess) is applicable to persons, other than companies except in cases where option referred to in section 115BAC or section 115BAD of the ITA are exercised, subject to certain exceptions, on the adjusted total income if the tax amount so calculated under AMT is higher than the tax amount calculated under the normal provisions of the ITA.

AMT credit shall not be available consequent to exercising option under section 115BAC/ 115BAD of the ITA. Further, AMT provisions shall not be applicable to persons opting for regime provided under section 115BAC/ 115BAD of the ITA.

The MAT / AMT credit is available to be carry forward for a period of 15 years.

### **ii. Non-resident Unit holders**

MAT provisions are not applicable to a non-resident provided, (a) the assessee is a resident of a country with which India has DTAA and the assessee does not have a PE in India; or (b) the assessee is a resident of a country with which India does not have a DTAA and is not required to seek registration under the Indian corporate law.

## **3. Carry forward of losses and other provisions**

Short term capital loss can be set off against both STCG and LTCG, but long-term capital loss can be set off only against LTCG. The unabsorbed short term and long-term capital loss can be carried forward for 8 AYs, subject to tax return filing being undertaken with the prescribed due dates

## **4. General Anti Avoidance Rule ('GAAR')**

The GAAR regime as introduced in the ITA shall be effective from 1 April 2017. GAAR may be invoked by the tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the four below mentioned tainted elements:

- The arrangement creates rights or obligations which are ordinarily not created between parties dealing at arm's-length;

- It results in directly / indirectly misuse or abuse of the ITA;
- It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- It is entered into, or carried out, by means, or in a manner, which is not normally employed for bona fide purposes.

In such cases, the tax authorities are empowered to reallocate the income from such arrangement, or recharacterise or disregard the arrangement. Some of the illustrative powers are:

- Disregarding or combining or recharacterising any step in, or a part or whole of the arrangement;
- Ignoring the arrangement for the purpose of taxation law;
- Relocating place of residence of a party, or location of a transaction or situation of an asset to a place other than provided in the arrangement;
- Looking through the arrangement by disregarding any corporate structure;
- Relocating and re-characterizing equity into debt, capital into revenue, etc.
- Disregarding or treating any accommodating party and other party as one and the same person; or
- Deeming persons who are connected to each other parties to be considered as one and the same person for the purposes of determining tax treatment of any amount.

The above terms should be read in the context of the definitions provided under the ITA. Any resident or non-resident may approach the Authority for Advance Ruling to determine whether an arrangement can be regarded as an impermissible avoidance arrangement. The GAAR provisions shall be applied in accordance with such guidelines and subject to such conditions and manner as may be prescribed.

The GAAR provisions would override the provisions of a Tax Treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in the IT Rules. The IT Rules provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 3 crores.

On 27 January 2017, the CBDT has issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

- Where tax avoidance is sufficiently addressed by the Limitation of Benefit Clause ('LOB') in a Tax Treaty, GAAR should not be invoked.
- GAAR should not be invoked merely on the ground that the entity is located in a tax efficient jurisdiction.
- GAAR is with respect to an arrangement or part of the arrangement and limit of INR 3 crores cannot be read in respect of a single taxpayer only

## 5. Multilateral Instruments

The Organisation for Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting ('MLI').

The MLI, amongst others, includes a 'principal purpose test', wherein Tax Treaty benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. The MLI has also expanded the scope of permanent establishment to include agent (excluding an independent agent) playing principal role, leading

to conclusion of contracts without material modification. For this purpose, an agent is not considered independent if ITAs exclusively or almost exclusively on behalf of one or more closely related enterprises.

India has been an active participant in the entire discussion and its involvement in the Base Erosion and Profit Shifting project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLI.

The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a tax treaty is dependent on ratification as well as positions adopted by both the countries signing a tax treaty.

On 9 August 2019, India had notified the provisions of Multilateral Convention under section 90(1) of the ITA and has specified the date of entry into force as 1 October 2019.

In order to prevent the granting of tax treaty benefits in inappropriate circumstances and to align it with the Multilateral Convention to implement Treaty related measures to prevent Base Erosion and Profit Shifting, the Finance Act, 2020 has amended Section 90(1) to provide that the Central Government shall enter into agreement(s) for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

Once MLI evolves in future, one would need to analyse its impact at that point in time on the existing tax treaties that India has entered into with other countries.

#### **6. Goods and Service Tax ('GST')**

GST will be applicable on services provided by the Company to the investors. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards portfolio management fee to the Company. However, in respect of IFSC, there is a relaxation in respect of levy of GST on services provided to offshore investors and to entities set-up in IFSC. Services provided to resident investors from IFSC are subject to GST at the rate of 18%.

THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION WOULD BE NECESSARILY ACCEPTED BY THE INDIAN TAX AUTHORITIES UNDER THE INCOME TAX ACT. NO REPRESENTATION IS MADE EITHER BY THE PORTFOLIO MANAGER OR ANY EMPLOYEE, PARTNER OR AGENT OF THE MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION BY THE INDIAN TAX AUTHORITIES UNDER THE ITA. INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS IN THIS REGARD.

#### **16. Accounting policies**

The Portfolio Management Services comprises of discretionary and Non-Discretionary Portfolio Management and hence, the portfolio transaction per se will not reflect in the books of the Portfolio Manager. However, the Fee based income of the Portfolio Manager will be accounted based on the guidelines issued from time to time by IFSCA / Institute of Chartered Accountants of India (ICAI).

The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith.

For every Client Portfolio, the Portfolio Manager shall keep and maintain proper books of accounts, record and documents, for the Client, so as to explain its transactions and to disclose at

any point of the time the financial position of the Client's portfolio and financial statements and in particular give a true and fair view of the state of affairs.

**The following Accounting Policies shall be adhered to, in respect of the Client's portfolio: -**

i. **Basis of Accounting**

Financial statement of the Client under Portfolio Management Services (other than for advisory services) shall be prepared and maintained as per the accrual basis of accounting.

ii. **Income Recognition:**

- (a) Dividend income earned by the Portfolio shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments which are not quoted on the stock exchange, dividend income would be recognized on the date of declaration of dividend.
- (b) In respect of all interest-bearing investments, income shall be accrued on a day-to-day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to interest recoverable account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to an Interest Recoverable Account.
- (c) Transactions for purchase or sale of investment shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market for example, acquisition through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or in the event of a sale. When the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (d) In determining the holding cost of investments, the "Weighted Average Price (WAP)" method shall be followed for each security and the gains or loss on sale of investments, "First in first out (FIFO)" method shall be followed.
- (e) Unrealised gain/losses are the differences, between the current market value/Net Asset Value and the historical cost of the securities
- (f) Underwriting commission shall be recognized as revenue only when there is no devolvement of the Portfolio. Where there is devolvement on the Portfolio, the full underwriting commission received and not merely the portion applicable to the devolvement shall be reduced from the cost of the investment.

iii. **Recognition of fees and other expenses**

- (a) Portfolio Management fees and other charges shall be accrued and charged as agreed in the Agreement. All other expenses payable by the Client shall be accrued as and when liability is incurred.
- (b) Securities transactions are accounted for on a trade date basis. The cost of the investments acquired or purchased would include brokerage, stamp charges and any charges customarily included in the broker's contract note or levied by any

statue except STT (Securities Transaction Tax). Similarly, in the case of Sale Transaction, the abovementioned charges will be deducted from the sale price.

**iv. Investments:**

- (a) The cost of Investments acquired or purchased shall include brokerage, stamp duty and any charge customarily except for Securities Transaction Tax included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered may be reduced from the cost of the investment.
- (b) Subscriptions to primary market issues shall be recognised as investments on allotment.
- (c) Bonus shares to which the portfolio becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the Stock Exchange, Mumbai on an ex-bonus basis. Similarly, rights entitlements shall be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-right basis. . If the investment quantity for any Client results in fractional holdings, pursuant to split or de-merger or any other corporate action, the Portfolio Manager, at his discretion, may sell or buy fractional units (subject to availability of cash) to make the investment of each Client in marketable lots.
- (d) Securities brought in by the Client, the same is accounted for in PMS accounts on the date on which the stock is credited to the depository account shall be valued at the closing price of the security at NSE. If closing price on NSE is not available, BSE price would be considered. Accordingly, date of credit as aforesaid shall be construed as date of acquisition and cost as stated above is considered as cost of acquisition for the purpose of computing gains / loss.
- (e) Securities withdrawn by the Client, the same is accounted for in the portfolio accounts on the date on which the stock debited to the depository account shall be valued at the closing price of the security at NSE. If the closing price on NSE is not available, BSE price would be considered. Accordingly, date of debit as aforesaid shall be construed as date of sale and value as stated above is considered as sale consideration for the purpose of computing gains / loss.

**v. Valuation of Investments:**

- (a) **Traded Securities:** Investments in Equity or Equity Related instruments and Debt Securities listed on a recognized stock exchange are valued at the last quoted closing price on the National Stock Exchange of India Limited (NSE). If on a particular valuation date, a security is not traded on NSE, the value at which it is traded on The Bombay Stock Exchange, Mumbai (BSE) is used or any recognized stock exchange. If a particular security is not listed on the NSE, then it is valued at the last quoted closing price on the BSE on the valuation date or on a recognized stock exchange as the case may be.
- (b) **Mutual Fund units / Units of Investment Vehicles:** Investments in Mutual funds / investment vehicle will be valued at the repurchase NAV declared for the relevant schemes on the date of the report or the most recent NAV will be reckoned. Where no NAV is published for a particular day, the previous working day's published NAV will be taken for the valuation purpose.
- (c) **Government securities** shall be valued at the prices released by an agency recommended by Association of Mutual Fund in India (AMFI). Government securities, where prices are not available, shall be valued at yield to maturity based on the prevailing interest rates as per the yield curve.

- (d) **Rights entitlements** for shares shall be valued at the market price of the share, reduced by the exercise price payable, and further discounted for the dividend element, wherever applicable.
- (e) **Derivatives** shall be valued at settlement price declared by NSE on the valuation date.
- (f) **Gains / loss** on derivatives shall be marked to market on daily basis.
- (g) On the valuation date, the 'marked to market' (MTM) margin received on outstanding contracts shall be considered as current liability. MTM margin paid shall be considered as current assets and provision shall be created for the same.
- (h) Depreciation in the value of investments shall be on aggregate basis.
- (i) Unlisted, Non-traded and all other securities where a value cannot be ascertained shall be valued as determined in good faith by the Portfolio Manager.

The accounting policies and standards as outlined above are subject to changes made from time to time by the Portfolio Manager. However, such changes would be in conformity with the Regulations.

## 17. Investors services

Details of Compliance Officer who shall attend to the investor queries and complaints is mentioned herein below:

Name	Yashpal Sharma
Designation	Compliance Officer
Address	209, 2 <sup>nd</sup> Floor, Signature Building, Block 13-B, Zone-1, GIFT City, Gandhinagar, Gujarat, India
Telephone No.	079 – 6832 0700 / +91 84510 48593
Email id	yashpal.sharma@sbifundsgift.com

### **Grievance redressal and dispute settlement mechanism:**

The Compliance Officer will be the interface between the Portfolio Manager and the Client.

Grievances, if any, that may arise pursuant to the Agreement entered into by the Client of the Portfolio Manager and the Portfolio Manager shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to Regulations and any amendments made thereto from time to time. However, all legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

The Portfolio Manager will endeavour to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the Client remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the Client and the Portfolio Manager shall abide by the dispute settlement mechanism mentioned below:

Any dispute unresolved by the above grievance redressal mechanism of the Portfolio Manager, within 30 (thirty) days from the date of receipt of such notice, the parties shall resolve the same through arbitration. Any unresolved claim, dispute, or controversy of whatever nature arising out of or in relation to the Agreement shall be submitted to arbitration under the Arbitration and

Conciliation Act, 1996. The Portfolio Manager and the Client shall jointly appoint a sole arbitrator mutually acceptable to them. In the event of failure to agree upon a sole arbitrator for a period of 15 days of receipt of notice, the arbitrator shall be appointed in accordance with the Arbitration and Conciliation Act, 1996. Each party will bear the expenses / costs incurred by it in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. The seat of arbitration shall be Mumbai, India. Such arbitration proceedings shall be held at Mumbai, India and the language of the arbitration shall be English.

## **18. General**

### **Prevention of Money Laundering**

The Portfolio Manager will follow the PML Laws prescribed under the Applicable Laws and as per the Portfolio Manager's policies pertaining to the same.

### **Account Statement**

A statement of the Client Portfolio will be sent by email to each Client on a regular basis or at the requested frequency of the Client.

The Portfolio Manager may send Account Statements and any other correspondence using e-mail as the mode for communications provided by the Client under the Agreement.

This Document is purely for the purposes of providing information and every effort has been made to truly represent the facts and circumstances herein. Incorrect information if any is by accident and the publisher of this Document will not be liable in any manner whatsoever and in any circumstances whatsoever for the same.

**Notwithstanding anything contained in this Disclosure Document, the provisions of International Financial Services Centres Authority (Fund Management) Regulations, 2022 as amended from time to time shall be applicable.**

**For and on behalf of SBI Funds Management Limited (IFSC Branch)**

<b>Name: [ ]</b> <b>Designation: Principal Officer</b>

**Place: GIFT City, Gandhinagar**

**Date: \_\_\_\_\_**

## Annexure I

### Names and Profiles of the Directors of the Portfolio Manager

#### **(i) Mr. Dinesh Kumar Khara, Chairman and Associate Director**

Mr. Dinesh Kumar Khara is the Chairman of State Bank of India ("SBI"). Before taking over the charge as Chairman, Mr. Khara was Managing Director (Global Banking & Subsidiaries) of SBI supervising the businesses of global market, corporate banking and the businesses of non-banking subsidiaries of SBI. The subsidiaries are engaged in diverse financial activities such as asset management, life insurance, general insurance, custodial services, primary dealership, investment banking, broking, credit cards, pension funds and factoring services. He was entrusted with the role of supervision of 18 regional rural banks (sponsored by SBI) having over 5,500 branches, with more than 55 million customers.

Previously Mr. Khara was the Managing Director & CEO of SBIFML. Before that, he was Chief General Manager – Bhopal Circle, State Bank of India and was responsible for managing around 1400 branches and handling deposits and advances portfolio of approx. Rs 1.51 trillion. During his tenure the Bank increased market share in its area of operation and also improved profitability of key businesses by formulating and implementing strategies for effective delivery of products and services with a clear focus on maximizing profits. Mr. Khara as General Manager in Associates and Subsidiaries department of SBI Corporate Centre had worked closely with the operational and strategy issues of various Non-banking subsidiaries of SBI.

Mr. Khara, did his Masters in Business Administration from FMS New Delhi and is a post-graduate in Commerce. He is also a Certified Associate of Indian Institute of Bankers (CAIIB). Mr. Khara joined SBI as Probationary Officer in 1984 and has over 38 years of experience in all facets of Commercial banking such as Retail Credit, SME/Corporate Credit, deposit mobilization, international banking operations, branch management, etc.

#### **(ii) Mr. Shamsher Singh, Managing Director & CEO (Associate Director)**

Mr. Shamsher Singh has been deputed by State Bank of India (SBI) as Managing Director & Chief Executive Officer of SBI Funds Management Limited effective December 06, 2022. Shamsher is an Officer in the rank of Deputy Managing Director of State Bank of India (SBI) and is on deputation to SBI Funds Management Limited since November 02, 2022. Shamsher joined SBI in June 1990 as Probationary Officer and has more than 32 years of experience.

Before his deputation to SBIFML, he was heading the Ahmedabad Circle of SBI as Chief General Manager from November 2020 responsible for driving business growth and ensuring regulatory compliance across 1400+ branches of SBI. He spearheaded SBI's retail business operations across the Gujarat State, Union Territory of Dadra and Nagar Haveli and Daman and Diu.

Other key assignments held by Mr. Singh during the last 10 years with SBI are as under:

- General Manager - Head of Institutional Relationship Group of SBI with Indian and International Banks and Head of Treasury Team of International Banking Group (IBG) at SBI's Corporate Centre overseeing treasury operations of all Foreign Offices of SBI across the globe. (December 2019 to November 2020);
- Regional Head - Middle East, West Asia and North Africa (MEWANA) region - General Manager, Dubai, UAE (December 2017 to December 2019);

- Country Head & CEO, SBI Operations, Bahrain - Deputy General Manager (August 2014 to December 2017);
- Deputy General Manager (Compliance), International Banking Group, Corporate Centre, Mumbai (June 2014 to August 2014);
- Deputy General Manager (SME), SBI, Local Head Office, Chandigarh (May 2014 to June 2014);
- Deputy General Manager – Defence Banking, Alternate Channels and Products, SBI, Local Head Office, Chandigarh (November 2013 to May 2014);
- Chief Dealer, Interest Rate Markets, Global Markets, Corporate Centre, Mumbai – Assistant General Manager (April 2012 to November 2013).

**(iii) Mr. Fathi Jerfel, Associate Director**

Mr. Fathi Jerfel is Deputy Chief Executive Officer of Amundi Asset Management in charge of investment solutions for retail network division. After a start at Credit Lyonnais as Head of Financial Engineering and Fixed Income (1986-2001), he joined Crédit Agricole Asset Management in 2002 as Head of Derivatives Arbitrage & Cumulative Research. In 2005, Mr. Jerfel was appointed as Chief Executive Officer of Crédit Agricole Structured Asset Management. Mr. Fathi Jerfel also holds several positions viz.: Amundi Immobilier - Director; Amundi SGR S.P.A. - Chairman; Societe Generale Gestion - Chairman; Nextstage - Director; and WAFA Gestion – Director and Sabadell Asset Management - Chairman.

Mr. Fathi holds an engineering degree from Ecole Poly-technique, engineering degree from the Institut Français du Pétrole & post graduate degree in Economics (Petroleum Management) from the University of Dijon.

**(iv) Mr. Julien Fontaine (Associate Director):**

Mr. Julien Fontaine has been the Head of Partnerships of Amundi group since February 01, 2019 and a member of the Executive Committee of Amundi. He is in charge of overseeing the activity of Amundi Joint Ventures and of developing strategic partnerships.

He was previously Head of Retail Marketing for Amundi group from January 2018 to January 2019 and CEO of Amundi Japan from January 2015 to December 2017.

Before that, he was Head of Group Strategy of Crédit Agricole S.A. and member of the Executive Committee of Crédit Agricole S.A. from September 2011 to December 2014. He was also a Board member of several subsidiaries of the Group (P&C and creditor insurance).

During the period 2000 to 2011, he was a Consultant at McKinsey & Company where he was elected partner in 2009. He served many financial European institutions, primarily large banking groups and asset managers, with a focus on strategy related topics as well as merger management and organization.

Mr. Julien Fontaine started his career as a diplomat in the French Ministry of Foreign Affairs where he was in charge of G8 summit preparation.

**(v) Mrs. Sudha Krishnan, Independent Director**

Mrs. Sudha Krishnan joined the Indian Audit and Accounts Service (IAAS) in 1983 and retired on November 30, 2020 as Member Finance to the Space Commission and Atomic Energy Commission. As Member Finance, she served as the principal advisor to the Commission on financial business pertaining to the Departments of Space and Atomic Energy Commission.

She has close to four decades of experience in public policy and finance. She has worked on secondment at the Ministry of Finance in different capacities where she has handled diverse portfolios including World Bank projects, personnel matters of the Central Government and writing memoranda and reports for the Finance Minister on improving the overall effectiveness of Government spending.

She has also served as Financial Adviser to the Ministry of Housing and Urban Poverty Alleviation. She has also served as Government Nominee Director on the boards of many Government companies and banks.

In her parent department namely, the office of Comptroller and Auditor General of India (CAG) (the Supreme Audit Institution of India), she led and coordinated the production of several audit reports including the audit of the Central Board of Direct Taxes. As Principal Director (International Cooperation), she was directly responsible for advising and implementing the CAG's international obligations both bilateral and multilateral. In her last assignment in the office of the CAG, she was responsible for developing and strengthening professional standards and practices in audit.

**(vi) Mr. Shekhar Bhatnagar, Independent Director**

Mr. Shekhar Bhatnagar has experience of 34 years working for Reserve Bank of India. He was Chief General Manager-in-charge, Foreign Exchange Department, Central Office Mumbai before superannuating from Reserve Bank of India.

He has a vast experience as a member in the capacity of nominee director on the boards of both private and public sector commercial banks and has been a member of several sub-committees of the Board of Directors. He was involved in corporate governance in banks, in the formulation of guidelines/ action plans/framework in the areas of risk management and formulation of the turnaround strategy, risk assessment and risk mitigation strategies of weak banks, innovation of products for payment systems etc. He was involved in the process of implementation of BASEL II and III. He has an experience of monitoring the process of NPA management in commercial banks as part of the banking supervision process.

He was involved in regulation and supervision of credit lenders and investment vehicles in equity/ debt markets, ARCs and mortgage guarantee companies, PPI, and aggregators in the payment space for non-banking finance intermediaries. He was the Country Head for foreign exchange/ cross border transactions where he handled responsibilities of policy formulation, supervision, monitoring and compounding process and management of capital flows, both equity and debt.

Presently, he is an independent consultant working with L&L Law Firm as an off counsel on foreign exchange investment issues and as an independent consultant with Standard Chartered Bank for regulatory and supervisory matters.

**(vii) Mr. Ram Narayanan Colathur, Independent Director**

Mr. Ram is presently associated with Warburg Pincus India Private Limited as Senior Advisor since 2015. He is the Managing Director of Fyndna Techcorp Private Limited. He started his career in 1979 as a graduate trainee at Tata Steel in Jamshedpur and

moved to Bank of America in Mumbai in 1982 managing IT and served as VP & Country Systems Manager till 1994. Mr. Ram joined HDFC Bank as Chief Information Officer and Head of Information Technology since July 1994 and was responsible for its information technology activities as well as its subsidiaries. He supported the entire range of banking services from retail banking to international operations and managed a team of 350 information technology professionals. He worked at HDFC Bank until June 2008. He also worked with Essar Ltd as Group President – CIO from 2010 to 2013.

Mr. Ram is the co-founder & director of Rural Shores Business Services, a socially oriented commercial company to help rural entrepreneurs set up BPOs in villages. He has served as a member of the Global Customer Advisory Board of NCR Corporation for their self-service business, the Asia-Pacific Technology Advisory Board of VISA International & the Customer Executive Advisory Board of Sun Microsystems. He was also a member of the RBI's Information Technology Advisory Committee. He had served on committees constituted by the RBI to advise on cheque truncation, technology for financial inclusion, setting up of a multi-bank telecommunications network etc. He has also served as an advisor to the National Depositories Limited and the National Payments Corporation of India Limited. Most recently he was on the RBI's Technology Committee for Mobile Banking and the Forward Markets Commissions' Advisory Committee on Technology. He is also a member of the CIO Angel Network (CAN).

Mr. Ram is the first recipient of the Konrad Zuse Medal of Honour for Lifetime Achievement in Business Technology instituted by the CIO Association of India in 2013. He was conferred the CIO Masters Lifetime Achievement Award instituted by Biztech2.com & Network18 in 2013. He is also the recipient of the Lifetime Achievement Award conferred by the CIO Leadership forum C-Change in 2015. Mr. Ram is also a director on the board of Aditya Birla Health Insurance Company Limited and Perfios Software Solutions Private Limited.

Mr. Ram holds a B. Tech. (Electronics) from IIT, Madras and a PDGM from IIM, Ahmedabad.

**(viii) Mr. Moiz Miyajiwala, Independent Director**

Mr. Miyajiwala is an Independent Management Consultant. He has successfully reorganized finance function of a limited liability company, improved processes and helped in outsourcing/ centralization of some parts of the finance function. He is on the board of Anjuman-I-Islam (a Section 8 Non-Profit Company engaged in Educational and Charitable activities and Honorary Treasurer of the Trust), Transpact Enterprises Limited and Benares Hotels Limited, a publicly listed company, where he chairs the Audit, Risk Management Committee and Nomination and Remuneration Committee.

Previously, he has held the position of CFO and Executive Vice President (Finance) / Compliance Officer with Voltas Limited, till 31st May 2011 where he was overall in charge of Finance / Accounts, Compliances, General Management, Strategic Management, IT, Legal, Strategic Planning, Investor Relations and was a member of Corporate Management Committee. He has also served as an advisor to the Managing Director of Voltas Limited and board member of various associate and group companies and advisory and/or supervisory role for Voltas Limited from 2011 to 2013. He has held various position in Voltas Limited since 1980.

Mr. Miyajiwala was also a partner of Dara Sorabji, Chartered Accountants, Mumbai, from 1978 to 1980, where he was responsible for statutory audits of limited companies, trusts, hospitals and internal audits & taxation - direct and indirect.

His major achievements include restructuring the businesses of Voltas Limited and its revival. He was also involved in restructuring finances of the company for improving leverage, rating and costs.

Mr. Miyajiwala is acknowledged as a subject matter expert on economic data by media. He has been awarded prestigious Super Achievers Award by Indira Institute of Management Studies and featured as a 'Growth Manager' on the cover page of a prominent business magazine.

Mr. Miyajiwala is a chartered accountant in practice (freelancing) with an all India ranking of 27. He has also completed his Bachelor of General Law from KC Law College, Mumbai University and Bachelor of Arts in Economics and Statistics from St. Xavier's College, Mumbai University.

**(ix) Mr. Denys de Campigneulles, Alternate Director to Mr. Fathi Jerfel**

Mr. Denys de Campigneulles has been deputed from the Amundi Group as Deputy Chief Executive Officer of SBI Funds Management Limited with effect from March 07, 2020. Mr. Campigneulles has over 33 years of extensive experience in financial services.

Prior to joining the Sponsor as a Deputy Chief Executive Officer, Mr. Campigneulles worked as CIO with LCL Bank Paris France. Prior to working as CIO with LCL Bank Paris France, Mr. Campigneulles worked from 2009 to 2016 as the Head of Fixed Income Business Department & Investment Specialists with AMUNDI, Paris, France. He worked from 2005-2009 as the Deputy Chief Executive Officer Asia with AMUNDI, Hong Kong. He also held the position of CIO from 2002-2005 with NH-CA Asset Management, Seoul. From 1994 to 2002 he held various position in London and Paris for Global Fixed Income Management Department. Between 1988 to 1994, he worked with Banque Bruxelles Lambert, Paris. From 1986 to 1988, he worked with Credit Lyonnais, Paris

**(x) Dr. T. T. Ram Mohan, Independent Director**

Dr. T. T. Ram Mohan has wide-ranging experience in academics, policy-making, banking, management consulting and financial journalism. Presently, he is a Part-time Member at Prime Minister's Economic Advisory Council since October 2021.

Dr. Ram Mohan has held several other positions in the past as under:

- Visiting Faculty - Indian Institute of Management, Ahmedabad, FY 2021-22
- Professor, Finance & Economics - Indian Institute of Management, Ahmedabad - (October 1998-January 2021)
- Visiting Faculty, Economics department - Stern School of Business, New York University (2001)
- Head of Research - Birla Marlin Securities, Bombay (August 1995-December 1996)
- Vice President, Equity Research - Bear Stearns, Hong Kong (May 1994-July 1995)
- Head of Strategic Development - Standard Chartered Bank, Bombay (April 1993-February 1994)
- Divisional Manager and Chief, Economics Division - Tata Economic Consultancy Services, Bombay (1982-84, 1989-93)
- Contributing Editor (South Asia) - Financial Times International Reports (1986-94)
- Economics Writer - India Abroad (New York) (1986-94)
- New York Correspondent - The Economic Times (1988-89)
- Officer, Projects - Industrial Credit and Investment Corporation of India (ICICI) (1981-82)

Presently, Dr. Ram Mohan is an Independent Director on the Board of IndusInd Bank Limited and a member of HR Advisory Board, Indian Overseas Bank

He also has been a Director on the Boards of Royal Manor Hotels & Industries Ltd. (2003-05), Marwar Hotels Ltd. (2003-05), International Asset Reconstruction Company Ltd (2003-08), Rail Vikas Nigam Ltd (2005-08), Brics Securities Ltd (2004-13), Paterson Securities Pvt. Ltd. (2009-16), SBI Pension Funds Pvt. Ltd. (2007-14), GNFC Ltd. (2005-14), IndusInd Bank Ltd. (2006-14), SBICAPS Securities Ltd (2014-19), Rural Electrification Corporation Ltd (2015-19) and Canara HSBC Life Insurance Company Ltd (2017- 20).

He was associated with many Committees of RBI and has been a member of Committee reviewing NPAs in power financing Companies, Ministry of Power, Government of India, member of Sub-Group of Finance Ministry on Expanding Institutional Finance for Infrastructure, 2020 and member of SEBI's Primary Market Advisory Committee.

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*This disclosure document (**Disclosure Document**) relates to the portfolio management services being provided by SBI Funds Management Limited (IFSC) Branch (**SBIFML, IFSC Branch**) having its branch office at IFSC located at Unit No 209, Signature Building, 2<sup>nd</sup> Floor, Block No 13B, Zone 1, GIFT - Special Economic Zone, Villages Phirozpur and Ratnapur, District, Gandhinagar 382355 and having its registered office at 9<sup>th</sup> floor, Crescenzo, C-38 & 39, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400051.*

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\_\_\_\_\_ and DFSA license number \_\_\_\_\_

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