



**DISCLOSURE DOCUMENT  
PORTFOLIO MANAGEMENT SERVICES**

Client:.....

Account No.:.....

Portfolio:.....

Date:.....

Distributor:.....

Portfolio Manager

**Sundaram Alternate Assets Limited**

CIN: U65990TN2018PLC120641

**Registered Office:** 21, Patullos Road, Chennai 600 002

**Corporate Office:** Alamelu Terrace, Third Floor, 163, Anna Salai, Mount Road, Chennai- 600002.

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## Part-I- Static Section

### 1. Disclaimer Clause

- (i) This Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document.  
The distribution of this Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Document are required to inform themselves about and to observe any such restrictions..
- (ii) The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging Sundaram Alternate Assets Limited as a portfolio manager.
- (iii) The disclosure document sets forth concisely the necessary information about Sundaram Alternate Assets Limited required by an investor before investing, and the investor may also be advised to retain the document for future reference.
- (iv) The name, phone number, e-mail address of the Principal Officer so designated by Sundaram Alternate Assets Limited is:  
  
Name: Mr. Darshan Engineer  
Designation: Fund Manager  
Address: Satellite Gazebo  
Office No. 101 & 102, B - Wing,  
Ground Floor, B D Sawant Marg,  
Andheri – Ghatkopar Link Road  
Mumbai 400 093  
  
Phone No.: 91 22 4913 3200  
Email: darshane@sundaramalternates.com
- (v) The Disclosure Document is dated 27th May 2026.

## 2. Definitions

In this Disclosure Document, unless the context otherwise requires, the following words and expressions shall have the meaning assigned to them:

- 1) **“Act”** means the Securities and Exchange Board of India Act, 1992.
- 2) **“Accreditation Agency”** means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by SEBI from time to time.
- 3) **“Accredited Investor”** means any person who is granted a certificate of accreditation by an accreditation agency who:
  - a. in case of an individual, HUF, family trust or sole proprietorship has:
    - i annual income of at least two crore rupees; or
    - ii net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or
    - iii annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.
  - b. in case of a body corporate, has net worth of at least fifty crore rupees;
  - c. in case of a trust other than family trust, has net worth of at least fifty crore rupees;
  - d. in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:
  - e. Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.
- 4) **“Advisory Services”** means advising on the portfolio approach, investment and divestment of individual Securities in the Client’s Portfolio, entirely at the Client’s risk, in terms of the Regulations and the Agreement.
- 5) **“Agreement” or “Portfolio Management Services Agreement” or “PMS Agreement”** means agreement executed between the Portfolio Manager and its Client for providing portfolio management services and shall include all schedules and annexures attached thereto and any amendments made to this agreement by the parties in writing, in terms of Regulation 22 and Schedule IV of the Regulations.
- 6) **“Applicable Law/s”** means any applicable statute, law, ordinance, regulation, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument including the Regulations which has a force of law, as is in force from time to time.
- 7) **“Assets Under Management” or “AUM”** means aggregate net asset value of the Portfolio managed by the Portfolio Manager on behalf of the Clients.
- 8) **“Associate”** means (i) a body corporate in which a director or partner of the Portfolio Manager holds either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or (ii) a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the Portfolio Manager.
- 9) **“Benchmark”** means an index selected by the Portfolio Manager in accordance with the Regulations, in respect of each Investment Approach to enable the Clients to evaluate the relative performance of the Portfolio Manager.
- 10) **“Board” or “SEBI”** means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.
- 11) **“Business Day”** means any day, which is not a Saturday, Sunday, or a day on which the banks or stock exchanges

in India are authorized or required by Applicable Laws to remain closed or such other events as the Portfolio Manager may specify from time to time.

- 12) **“Client(s)” / “Investor(s)”** means any person who enters into an Agreement with the Portfolio Manager for availing the services of portfolio management as provided by the Portfolio Manager.
- 13) **“Custodian(s)”** means an entity registered with the SEBI as a custodian under the Applicable Laws and appointed by the Portfolio Manager, from time to time, primarily for custody of Securities of the Client.
- 14) **“Depository”** means the depository as defined in the Depositories Act, 1996 (22 of 1996).
- 15) **“Depository Account”** means an account of the Client or for the Client with an entity registered as a depository participant under the SEBI (Depositories and Participants) Regulations, 1996.
- 16) **“Direct on-boarding”** means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.
- 17) **“Disclosure Document” or “Document”** means the disclosure document for offering portfolio management services prepared in accordance with the Regulations.
- 18) **“Distributor”** means a person/entity who may refer a Client to avail services of Portfolio Manager in lieu of commission/charges (whether known as channel partners, agents, referral interfaces or by any other name).
- 19) **“Eligible Investors”** means a Person who: (i) complies with the Applicable Laws, and (ii) is willing to execute necessary documentation as stipulated by the Portfolio Manager.
- 20) **“Fair Market Value”** means the price that the Security would ordinarily fetch on sale in the open market on the particular date.
- 21) **“Foreign Portfolio Investors” or “FPI”** means a person registered with SEBI as a foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.
- 22) **“Financial Year”** means the year starting from April 1 and ending on March 31 in the following year.
- 23) **“Funds” or “Capital Contribution”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to the Agreement, the proceeds of sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the Portfolio Manager.
- 24) **“Group Company”** shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary.
- 25) **“HUF”** means the Hindu Undivided Family as defined in Section 2(31) of the IT Act.
- 26) **“Investment Approach”** is a broad outlay of the type of Securities and permissible instruments to be invested in by the Portfolio Manager for the Client, taking into account factors specific to Clients and Securities and includes any of the current Investment Approach or such Investment Approach that may be introduced at any time in future by the Portfolio Manager.
- 27) **“IT Act”** means the Income Tax Act, 2025, as amended and restated from time to time along with the rules prescribed thereunder.
- 28) **“Large Value Accredited Investor”** means an Accredited Investor who has entered into an Agreement with the Portfolio Manager for a minimum investment amount of ten crore rupees.
- 29) **“Non-resident Investors” or “NRI(s)”** shall mean non-resident Indian as defined in Section 2 (30) of the IT Act.
- 30) **“NAV”** shall mean Net Asset Value, which is the price; that the investment would ordinarily fetch on sale in the open market on the relevant date, less any receivables and fees due.
- 31) **“NISM”** means the National Institute of Securities Markets, established by the Board
- 32) **“Person”** includes an individual, a HUF, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other

entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.

- 33) **“Portfolio”** means the total holdings of all investments, Securities and Funds belonging to the Client.
- 34) **“Portfolio Manager”** means Sundaram Alternate Assets Limited, a company incorporated under the Companies Act, 2013, registered with SEBI as a portfolio manager bearing registration number INP000006271 and having its registered office at 21, Patullos Road, Chennai- 600002 and having its corporate office at Alamelu Terrace, 3rd floor, 163, Anna Salai, Mount Road, Chennai 600 002.
- 35) **“Principal Officer”** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:
- a. the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the Funds of the Client, as the case may be; and
  - b. all other operations of the Portfolio Manager
- 36) **“Regulations” or “SEBI Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended/modified and reinstated from time to time and including the circulars/notifications issued pursuant thereto.
- 37) **“Related Party” means –**
- (i) a director, partner or his relative;
  - (ii) a key managerial personnel or his relative;
  - (iii) a firm, in which a director, partner, manager or his relative is a partner;
  - (iv) a private company in which a director, partner or manager or his relative is a member or director;
  - (v) a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
  - (vi) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
  - (vii) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
  - (viii) any body corporate which is— (A) a holding, subsidiary or an associate company of the Portfolio Manager; or (B) a subsidiary of a holding company to which the Portfolio Manager is also a subsidiary; (C) an investing company or the venturer of the Portfolio Manager The investing company or the venturer of the Portfolio Manager means a body corporate whose investment in the Portfolio Manager would result in the Portfolio Manager becoming an associate of the body corporate;
  - (ix) a related party as defined under the applicable accounting standards.
  - (x) such other person as may be specified by the Board:

Provided that,

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

i. of twenty per cent or more; or

ii. of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding Financial Year; shall be deemed to be a related party;

- 38) **“Securities”** means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.

### 3. Description

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

Sundaram Alternate Assets Limited ("SA") is a company incorporated under the Companies Act, 2013 on January 24, 2018, having its Registered Office at 21, Patullos Road, Chennai 600 002. SA is a wholly owned subsidiary of Sundaram Asset Management Company Limited ("Sundaram AMC"), which in turn is wholly owned subsidiary of Sundaram Finance Limited. ("SFL").

National Company Law Tribunal (NCLT), Chennai bench vide its Order dated 29 May 2018 approved the transfer of alternative investment funds and portfolio management services divisions of Sundaram AMC to SA by way of Scheme of Arrangement as a going concern.

SEBI approved the change in the Investment Manager for Cat II and III AIF from Sundaram AMC to SA in September 2018.

Pursuant to the Scheme of Arrangement, Sundaram AMC assigned to SA all its rights and obligations under the Portfolio Investment Management Agreement executed with its Clients and other documents executed pursuant thereto and Power of Attorney ("POA") conferred by Clients in favour of Sundaram AMC.

Thus, SA is entitled to exercise all powers and functions conferred or contained in the POA, which were originally exercised or performed by Sundaram AMC. On confirmation to SEBI that SA has complied with the requirements specified by SEBI in respect of transfer of PMS business, SEBI has issued Certificate of Registration No. INP000006271 dated 29th November 2018 under SEBI (Portfolio Managers) Regulations, 1993 in favour of SA to act as a Portfolio Manager.

SA commenced the PMS operations effective from 2nd January 2019.

#### (ii). Promoters of the Portfolio Manager, Directors and their background.

Sundaram Alternate Assets Limited is a wholly-owned subsidiary of Sundaram Asset Management Company Limited which in turn is wholly owned subsidiary of Sundaram Finance Limited.

##### **Sundaram Asset Management Company Limited**

SAMC is a public limited company incorporated as Sundaram Newton Asset Management Company under the Companies Act, 1956 on 26 February 1996 and approved by the SEBI to act as the Investment Manager for the schemes of Sundaram Mutual Fund.

SAMC has been a pioneer in the area of investment management and is one of the early private asset managers in India. Sundaram Finance owned 61% equity in SAMC and Newton Investment Management, U.K had a 39% stake.

At the global level, Mellon Financial Corporation acquired Newton Investment Management in 2001. Following this development, Sundaram Finance acquired the 39% stake of the Newton group in 2002 and SAMC became a wholly owned subsidiary of Sundaram Finance. In March 2006, France based BNP Paribas Asset Management acquired 49.9% stake in SAMC and formed a joint venture.

SAMC was renamed as Sundaram BNP Paribas Asset Management Limited. BNP Paribas Asset Management had to end the joint venture by selling their stake to Sundaram Finance in July 2010. Since then SAMC has been a 100% owned subsidiary of Sundaram Finance.

Sundaram AMC was registered with SEBI as a Portfolio Manager vide registration no. INP000001355 under SEBI (Portfolio Managers) Regulations 1993 and was carrying on Portfolio Management Services rendering Discretionary and Advisory Services from June 1, 2007 to January 01, 2019.

Sundaram AMC was the Investment Manager for (i) Sundaram Alternative Investment Trust (Category III AIF) from January 2017 and (ii) Sundaram Category II Alternative Investment Trust from June 2017.

As of 31 March 2026, SAMC managed average assets worth around INR 75,344.03 cr. through various equity and debt schemes of its mutual fund business. SAMC has managed over 60 (sixty) lakh customer accounts since inception and currently manages around 23.92 lakhs (Twenty Three lakhs and Ninety two thousand) active customer folios. SAMC has 80 (Eighty ) customer care centres spread across 23 (twenty three) states of India and offices in Singapore and Dubai.

SAMC has a wholly owned subsidiary in Singapore in the name of Sundaram Asset Management Singapore Pte. Ltd. ("SAMS").

SAMS is registered with Monetary Authority of Singapore (MAS) and is carrying on the activity of fund management to the accredited investors.

##### **Sundaram Finance Limited**

Sundaram Finance Limited is one of the leading non-banking finance company in India having a track record of over 68 years.

Sundaram Finance Group has a presence in businesses such as automobile finance, home loans, mutual funds and insurance, to name a few. As of 31 March 2026, Sundaram Finance has a nationwide network of 763 branches, an employee strength (full-time employees including its divisions) of 5,344 people and is regarded as one of the most trusted and respected financial services providers in India. The Sundaram Finance Group remains true to its core values of prudence, fairness, transparency and service excellence.

The Company has a track record of uninterrupted dividend payment every year since inception in 1954.

Sundaram Finance enjoys the highest investment grade rating for its fixed deposits programme. The short term borrowings (including commercial papers) of the company are rated "A1+" (Very Strong Degree of Safety). The fixed deposits are rated "AAA" (Highest Degree of Safety) by ICRA and CRISIL. The long-term borrowings are rated "AAA" (Highest Degree of Safety), with a "Stable outlook" by ICRA and CRISIL."

**Board of Directors of Sundaram Alternate Assets Limited**

Name and Address of Directors	Qualification	Age	Background
<b>Harsha Viji</b> Chairman New No. 10A, Old No. 11, Raghavaveera Avenue, Poes Garden, Chennai 600086.	B Com, ACA MBA (Ann Arbor, Michigan)	50	Mr Harsha Viji presently serves as Executive Vice Chairman of Sundaram Finance Limited. He earlier served as Deputy Managing Director and Executive Director (Strategy & Planning) of Sundaram Finance and as the Managing Director of Sundaram Asset Management Company. Mr. Harsha serves as a director on the boards of several companies. Mr Harsha has a total experience of over 21 (twenty-one) years wherein he has worked with PricewaterhouseCoopers, Mckinsey & Company and Sundaram Finance Limited in different capacities.
<b>Lakshminarayanan Duraiswamy</b> Director 87/4, Padma Apartments 1st Main Road Damodarapuram Adyar, Chennai 600 020	B.Com., Grad CWA., PGDBA(LIBA)	56	Mr Lakshminarayanan Duraiswamy is currently the Managing Director of Sundaram Home Finance Ltd. He was the Chief Operating Officer of Sundaram AMC till 31/03/2019. He was with Sundaram AMC since 2009, and has a total experience of over 25 years in the financial services sector. Prior to joining Sundaram Mutual Fund, he worked for Citibank and GE Capital in India and in Australia in various risk management roles.
<b>Karthik Balachandran Athreya</b> Director New No 10, Old No 7, Preethi JeevarathnamNagar, Adyar, Chennai 600020.	B.Com., CA	52	Mr. Karthik Athreya is a financial service professional with over 22 years of experience across principal investing, funds management, investment banking, corporate finance, assurance and transaction diligence services. Mr. Karthik had been working to create an alternatives investment & private wealth advisory platform at HD Ventures LLP. Mr. Karthik had led the India business of Clearwater Capital Partners, a pan Asian private equity fund since 2007 and was a member of the firm's Management & Investment Committees based in Mumbai. He was instrumental in the set up and build out of Clearwater's high yield asset-backed lending NBFC platform Altico Capital. Prior to Clearwater, Mr Karthik was a founder employee and a Director of Investment Banking at YES Bank. Mr. Karthik had worked as a Director in the Investment Banking business of Rabo India Finance, a subsidiary of Rabobank Nederlands. Prior to this Mr. Karthik worked in the Corporate Finance group of Arthur Andersen and with PricewaterhouseCoopers in their assurance & transaction advisory business.
<b>Arvind Sethi</b> Director 02 GFA, Court Green, The Laburnum, Sushant Lok 1, Sector 28, Gurgaon 122002	MA Hons. in PPE, Philosophy, Politics & Economics (Oxford University)	68	Mr. Arvind Sethi has a total experience of over 34 years in the banking and financial services sector. He has served as Managing Partner of CAP-MConsulting India Private Limited, Managing Director of Tata Asset Management Limited and Managing Director of Bank of America (Global Markets). He has also held senior level positions at ANZ Grindlays Bank and HSBC. He serves as a director on the boards of several companies. He has been a member of RBI's Technical Advisory Committee on Foreign Exchange.
<b>Bama Balakrishnan</b> Director Apt 14 B Emerald Q Tower, Olympia Opaline Sequel, Navalur, Chennai -600130	B.Com – PGDM –IIM, Ahmedabad CWA, CFA	50	Currently associated with Sundaram Finance Limited since October 2024 as Senior Vice President – Finance. She has spent over 10 years at ICICI Bank in Chennai, Mumbai, New York and Singapore, handling various responsibilities. Thereafter, she has been associated with Northern Arc Capital Limited for 12 years as their Chief Risk Officer, Chief Financial Officer, and Executive Director & Chief Operating Officer.

**(iii). Group Companies of the Portfolio Manager**

1. Sundaram Home Finance Limited: Housing Finance
2. Sundaram Asset Management Company Limited: Investment Manager for Sundaram Mutual Fund
3. Royal Sundaram General Insurance Co. Limited: General Insurance
4. TSF Investments Limited: Business of making all types of investments
5. Sundaram Business Services Limited: Business Process Outsourcing
6. Sundaram Fund Services Ltd: Fund Accounting
7. Sundaram Asset Management Singapore Pte Ltd.: Fund Management Services
8. Sundaram Trustee Company Limited: Trustees for Sundaram Mutual Fund
9. LGF Services Ltd: Distributor for financial and insurance products
10. Sundaram Alternative Opportunities Fund Mauritius Limited: Feeder Fund for Sundaram High Yield Secured Debt Fund, a Cat II AIF
11. Sundaram Alternative Opportunities Fund II Mauritius Limited: Feeder Fund for Sundaram High Yield Secured Debt Fund a Cat II AIF

**(iv) Details of services offered :** The Portfolio Manager offers Discretionary, Non-discretionary and Advisory services.

- (1) Discretionary – The Portfolio Manager exercises his discretion in managing the funds /investments of the Client.
- (2) Non-discretionary - The portfolio Manager manages funds of the Client in accordance with the instructions/directions given by the Client.
- (3) Advisory – The client is advised on buy/sell decision within the overall risk profile without any back office responsibility for trade execution, custody or accounting functions.
- (4) Co-investment Portfolio Management Services for Sundaram Category II Alternative Investment Trust.

**4. Penalties, pending litigation or proceedings, findings of inspection or investigation for which action may have been taken or initiated by any regulatory authority.**

- (i) There have been no penalties imposed on the Portfolio Manager by SEBI and no directions have been issued by SEBI under the Act, Rules or Regulations made thereunder.
- (ii) There have been no penalties imposed for any economic offence and /or for violation of any securities laws.
- (iii) There are no pending material litigation / legal proceedings against the Portfolio Manager / key personnel.
- (iv) There has been any deficiency in the systems and operations of the portfolio Manager observed by SEBI or any regulatory agency.

SEBI has conducted offsite inspection cum surveillance of PMS division for the half year ended September 2023 and had issued deficiency / advisory letter. The Company has rectified the deficiency pointed out by SEBI and had taken steps to comply with the case of advisory.

- (v) There are no enquiry/ adjudication proceedings initiated by SEBI against the portfolio manager, its directors, principal officer or employees or any other person connected directly / indirectly with the portfolio manager, its directors, principal officer or its employees, under the Act / Rules / regulations made there under, except in the case of Sundaram Finance Limited, the Sponsor.

“The Securities and Exchange Board of India has alleged non disclosure of information to the stock exchanges under SEBI (Prohibition of Insider Trading) Regulations, 1992 and imposed a penalty of ₹ 10 Lakhs on the Sponsor. On appeal by the Sponsor, the Securities Appellate Tribunal vide its Order dated 1st September 2010, partly allowed the appeal and reduced the Quantum of penalty to 2 Lakhs”.

The above information has been disclosed in good faith as per the information available to the Portfolio Manager.

## 5. Services Offered

i. The Portfolio Manager offers Discretionary, Non-discretionary and Advisory services.

The Portfolio Manager also renders co-investment portfolio management services for Sundaram Category II Alternative Investment Trust

Minimum investment amount/securities with a value of ₹50 Lakhs.

The minimum investment amount per client shall be applicable for new clients and fresh investments made by existing clients effective from January 21, 2020.

Existing investments of clients as on January 21, 2020 will continue as such till maturity of the investment if no further investment is made by them.

The minimum investment amount shall not apply to accredited investors and the clients of Co-investment portfolio management services. For accredited investors, the minimum investment amount shall be as determined by the Investment Manager from time to time.

### Regulatory Concessions available to Accredited Investor and Large Value Accredited Investor:

Particulars	Applicability
The requirement of minimum investment of INR 50 lakhs per client shall not apply.	Accredited Investor
The Portfolio Manager may offer discretionary or nondiscretionary or advisory services for investment up to hundred percent of the assets under management in unlisted securities subject to the terms agreed between the client and the Portfolio Manager	Large Value Accredited Investor
The quantum and manner of exit load applicable to the client as provided under the PMS regulations shall not apply and shall be governed through bilaterally negotiated contractual terms.	Large Value Accredited Investor
Contents of agreement specified under Schedule IV of SEBI (Portfolio Managers) Regulations, 2020 shall not apply to the agreement between the Portfolio Manager and Large Value Accredited Investor.	Large Value Accredited Investor

### Flexibility to investors to withdraw 'Consent' by Accredited Investors

Accredited Investors shall have the flexibility to withdraw their 'Consent' and discontinue availing benefits of accreditation, subject to the following:

- (i) An investor who withdraws 'Consent' after availing the benefit of lower ticket size shall be required to increase the investment to the minimum amount i.e. Rs.50 lakhs, within the timeframe specified in the client agreement.
- (ii) If an investor who has availed concessions to the regulatory framework withdraws the 'Consent' furnished to the Portfolio Manager before the expiry of the client agreement, the investments already made shall be 'grandfathered' i.e. such investments already made shall continue to be reckoned as investments by Accredited Investor.
- (iii) With effect from the date of withdrawal of consent, any further transaction shall be in accordance with the regulatory framework applicable to investors other than AIs.

### Investor becomes ineligible to be Accredited Investor

After entering into an agreement with Portfolio Manager to avail benefits linked to accreditation, if an investor ceases to be eligible to be an Accredited Investor, the investment(s) already made shall continue to be reckoned as investment by an Accredited Investor.

### Investment Objective

The Investment Objective is to seek capital appreciation through various strategies by investing in asset classes of equities, equity derivatives, fixed income, fixed income derivatives, mutual funds and any other asset classes and securities permissible under regulations.

The Key factors of the investment approach / strategy will be:-

- Owning a compact portfolio of securities
- Identifying attractive opportunities and take concentrated exposures
- Investing across all sectors in the economy
- Emphasis on stock selection
- Selecting stocks with an optimal investment horizon

Though every endeavour will be made to achieve the objectives of the each PMS strategy, Portfolio Manager does not guarantee that the investment objectives of the services will be achieved. No guaranteed returns are being offered under the services.

The Portfolio Manager shall focus on the past performance and future prospects of the Company and the business, financial health, competitive edge, managerial quality and practices, minority shareholder fairness, transparency. Companies that adequately satisfy the prescribed criteria are included in the portfolio. The weight of individual companies will be based on their upside potential relative to downside risk.

For investment in fixed income securities, the optimum duration of the portfolio is first determined based on the interest rate view.

Then depending on this decision, the mix of G-Secs, corporate debt, money market instruments, and cash is arrived at. This mix tries to ensure that returns are maximised while still protecting the liquidity of the portfolio. Within corporate debt, a further decision is taken regarding the weights of AAA (pronounced 'triple A') rated instruments and Sub-AAA rated instruments.

The Portfolio Manager will use derivative instruments as permitted under regulations for optimising the risk return profile of equity and debt portfolios. Please refer **Annexure I** for disclosure on derivatives.

The Portfolio Manager does not intend to make any specific investments into its Associates / Group companies on its own account.

Investment in associate / group companies of the Portfolio Manager on the Clients account shall be subject to the applicable laws /regulations / guidelines.

The Co-investment Portfolio Manager shall invest 100% of the assets under management in unlisted securities of investee companies where Category I and Category II Alternative Investment Funds managed by it as Manager, make investment.

## ii. Investment Categories (Types of Strategies)

Investment Approach	Sundaram India Secular Opportunities Portfolio (SISOP)	Sundaram Emerging Leadership Fund (S.E.L.F.)	Sundaram Voyager
Investment Theme	Equity	Equity	Equity
Investment objective	To generate capital appreciation across market cycles by investing in a concentrated set of high conviction stocks	To seek long-term capital appreciation with investments predominantly in mid and small cap companies	To seek long-term capital appreciation by investing in stocks across the cap curve
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Listed equity, temporary investments	Listed equity, temporary investments	Listed equity, temporary investments
Basis of selection of such types of securities as part of the investment approach	Bottom up approach to stock selection	Bottom up approach to stock selection	Bottom up approach to stock selection
Allocation of portfolio across types of securities	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	S&P BSE 500 Multi-cap sector agnostic portfolio	Primary Benchmark: S&P BSE 500 Secondary Benchmark: Nifty Midcap 150 Portfolio will invest predominantly in mid and small cap companies	S&P BSE 500  Multi-cap portfolio
Indicative tenure or investment horizon	Above 3 years	Above 3 years	Above 3 years
Other salient features, if any	Invest in business with secular growth opportunities Multi-cap sector agnostic portfolio Concentrated Portfolio	Companies that are in early stages of their business cycle and could emerge as tomorrow's large caps. Multi sector portfolio.	Diversified portfolio across sectors and cap curve.

Investment Approach	Sundaram Voyager Global	Sundaram Rising Stars Portfolio
Investment Theme	Equity	Equity
Investment objective	To seek long-term capital appreciation by investing in stocks across the cap curve	To seek long term capital appreciation by investing in companies that can be termed as smallcaps
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Listed equity, temporary investments	Listed equity, temporary investments
Basis of selection of such types of securities as part of the investment approach	Bottom up approach to stock selection	Bottom up approach to stock selection
Allocation of portfolio across types of securities	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	S&P BSE 500 Multi-cap portfolio	Primary Benchmark: S&P BSE 500 Secondary Benchmark: Nifty Smallcap 250 Portfolio is focussed on investing in smallcap stocks
Indicative tenure or investment horizon	Above 3 years	Above 5 years
Other salient features, if any	Diversified portfolio across sectors and cap curve.	-

Investment Approach	Sundaram India Opportunities Portfolio (SUNIOF)	Sundaram India Transition Portfolio (S.I.T.P.)
Investment Theme	Equity	Equity
Investment objective	To seek long term capital appreciation by investing predominantly in equity / equity related instruments of companies across market caps and across sectors	To seek long-term capital appreciation by investing in stocks across the cap curve
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Listed equity, temporary investments	Listed equity
Basis of selection of such types of securities as part of the investment approach	Bottom up approach to stock selection	Bottom-up approach to stock selection
Allocation of portfolio across types of securities	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)	Upto 95% in equity Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	S&P BSE 500 Multi-cap sector agnostic portfolio	S&P BSE 500 Multicap Strategy
Indicative tenure or investment horizon	Above 3 years	Above 3 years
Other salient features, if any	Multi-cap sector agnostic portfolio.	Invest in business with secular growth opportunities. Multi cap Sector agnostic portfolio. Concentrated Portfolio.

Investment Approach	QUANT	Alpha Equity	India Dedicated
Investment Theme	Equity	Equity	Equity
Investment objective	The primary objective of the fund is to generate capital appreciation with relatively lower volatility over long term.	Creating a diversified portfolio of companies which will try to create alpha on risk adjusted basis in comparison to the benchmark	Invest in secular themes
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Investment in equities from the NSE 500 index along with investment in traded ETFs and Sundaram Overnight funds.	Equities only	Equities only
Basis of selection of such types of securities as part of the investment approach	Investment in 15/30 stocks from the underlying index based on technical relative strength. Allocation to equity will vary from 0 to 100%. Allocation to other traded ETFs and Overnight funds may also vary from 0 to 100%	High quality companies, innovators and companies have focused growth-oriented approach	Companies with continue to innovate and build intellectual of capabilities
Allocation of portfolio across types of securities	0-100% in equities/ traded ETFs/ overnight funds	Upto 100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)	Upto 100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	S& P BSE 500	S& P BSE 500	S& P BSE 500
Indicative tenure or investment horizon	5 to 7 years	5 years or more	5 years or more
Other salient features, if any	Nil	Nil	Nil

Investment Approach	Sundaram Alternates Bespoke Public Equity Strategy
Investment Theme	Equity
Investment objective	To seek long-term capital appreciation by adopting sector & cap-curve agnostic investment approach by investing in stocks that form part of the investment universe and are reasonably priced. Designed as per client requirement for long-term investment horizons seeking returns by making allocation to investments that are aligned with their investment framework.
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Listed equity, temporary investments
Basis of selection of such types of securities as part of the investment approach	Bottom-up approach to stock Selection
Allocation of portfolio across types of securities	~80-100% equity Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	S&P BSE 500 TRI
Indicative tenure or investment horizon	Above 4 years
Other salient features, if any	Concentrated Portfolio upto 30 stocks* Balanced portfolio across sectors and reasonable starting weights.

\* The number of stocks in the portfolio is only indicative and would be determined by the Portfolio Manager based on the opportunities, available funds for investment and market conditions.

<b>Investment Approach</b>	<b>Sundaram Alternates Fixed Income Rated Short Term ('FIRST') Plan – Aggressive</b>
Investment Theme	Debt
Investment objective	<p>The investment objective of the FIRST Plan is to create a stable, income-generating portfolio of fixed income bonds rated between AAA to BBB with reasonable liquidity features. FIRST aims to provide investors with an opportunity to participate in a risk-adjusted returns ('RAR') portfolio that is well diversified with periodic income distributions, while maintaining a focus on capital preservation.</p> <p>The plan emphasizes on constructing a well-rated portfolio across various maturities, high-grade credit and well-capitalised issuers, with the goal of optimizing RAR.</p> <p>The Investment Manager ('IM') will employ rigorous credit analysis and risk management strategies to identify such opportunities while managing potential credit risks effectively. Investors in this plan can expect a steady stream of income through coupon payments, along with the potential to generate risk and inflation adjusted returns.</p> <p>The FIRST Plan is designed to cater to income-oriented investors seeking an alternative fixed-income solution to fixed deposits / tax savers / GSecs.</p>
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc.	Primarily listed debt securities, listed and rated PTC securities and Gsecs. Temporary investments into liquid funds will be done to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	<p>The selection of securities for the FIRST Plan will be guided by:</p> <ol style="list-style-type: none"> <li><b>Focus on safety / capital preservation:</b> The primary emphasis of this plan is on well-rated debt instruments, which typically offer periodic coupon rates and have 2-3 year durations. The IM selects securities with the potential for predictable yields aiming to generate a steady stream of income for investors.</li> <li><b>Diversification:</b> Diversification will be a key driver for portfolio creation. The portfolio will include a mix of rated securities across various maturities (within 2-3 years), credit parameters identified by the IM and RAR to spread risk and enhance the overall stability of the portfolio.</li> <li><b>Credit Risk Management:</b> While seeking to improve portfolio yields, the IM will actively manage potential credit risks through constant credit analysis, market feedback on creditworthiness of issuers and benchmarking to RARs based on market events with a view to balance returns and safety.</li> <li><b>Maturity Profile:</b> The FIRST Plan will look to blend 2-3 year durations with the IM's outlook on rates and liquidity.</li> <li><b>Yield-to-Maturity (YTM) Considerations:</b> The FIRST Plan will participate in both secondary trades as well as primary issuances so as to be able to invest into both 'hold to maturity' trades as well as being able to sell-down to lock-in attractive returns if the opportunities are available.</li> <li><b>Active Management:</b> The plan will employ an active management approach, enabling an adaptive portfolio in response to changing market dynamics. Regular monitoring and adjustments will be made to optimize the balance between yield generation and risk mitigation.</li> <li><b>Risk Management:</b> Robust risk management strategies will be implemented to identify and mitigate potential risks associated with securities. This includes a thorough assessment of liquidity risk, interest rate risk, and other factors that may impact the stability of the portfolio.</li> </ol> <p>In addition, the Plan may explore the use of credit default swaps as a form of insurance against potential defaults on the underlying debt securities, to the extent feasible.</p> <p>By integrating these principles into the investment approach, the FIRST Plan aims to provide investors with an income-focused strategy and being able to lock-in reasonably attractive RARs while managing associated risks effectively.</p>
Allocation of portfolio across types of securities	<p>The FIRST Plan will be structured to achieve the fund's investment objectives as stated above and, in this context, to optimize RAR, the typical portfolio allocation may include:</p> <ol style="list-style-type: none"> <li><b>Stable AAA-BBB Corporate Bonds:</b> A significant portion of the portfolio may be allocated in this risk bucket. These are largely listed debt securities issued by healthy corporations with strong financial parameters looking to access the debt capital markets to raise lower duration financing vis-à-vis the typical enterprise level debt they might be able to raise at lower costs.</li> <li><b>Government and PSU Bonds:</b> These would largely be GSecs / T Bills etc which are sovereign / almost sovereign status securities. To provide a degree of safety and stability, a portion of the portfolio may be allocated to such securities. While these typically offer lower yields compared to other corporate bonds, they contribute to diversification and help manage overall portfolio and liquidity risks.</li> <li><b>Commercial Paper (CP):</b> The Plan may also allocate a portion of its portfolio to subscribing to short-term CP issuances of 3-12 months with a view to boost fee income for the Plan and also to maintain short-term liquidity.</li> <li><b>Cash and Cash Equivalents:</b> While the primary focus is on income generation, maintaining liquidity is essential. A portion of the portfolio may be allocated to cash and cash equivalents to meet redemption requests and take advantage of new investment opportunities. This bucket would include highly liquid GSecs / T Bills etc.</li> <li><b>Listed PTCs:</b> A portion of the portfolio may be allocated to listed and rated PTCs</li> </ol> <p>The specific allocation percentages across these types of securities will depend on market conditions, interest rate outlook, credit risk assessments, and the Plan's overall strategy.</p>
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index
Indicative tenure or investment horizon	3 years
Other salient features, if any	<p>In addition to the allocation across various types of securities, the Sundaram Alternates Debt PMS strategies may encompass several other salient features such as:</p> <ol style="list-style-type: none"> <li><b>Customization:</b> PMS often provides a certain level of customization based on the risk profile, investment objectives, and preferences of individual clients. The IM may tailor the portfolio to align with the specific financial goals of each investor and create bespoke portfolios based on the requirements of larger clients with mandates say INR 25-100 crores.</li> <li><b>Liquidity Management:</b> The Debt PMS strategies are expected to incorporate liquidity management strategies, to ensure that there are adequate liquid assets within the portfolio or structural back-stops to meet redemption requests and capitalize on new investment opportunities.</li> <li><b>Regular Reporting and Communication:</b> Investors will receive regular reports and updates on the performance of the portfolio. The IM may communicate investment strategies, market insights, and other relevant information to keep investors informed about their investments.</li> <li><b>Exit Load Structure:</b> Given that the IM is looking to create 2-3 year duration portfolios, the PMS plans are likely to have an exit load structure, particularly for redemptions within a short period. This is designed to encourage investors with a medium term investment horizon and optimize yields from the Debt PMS plans.</li> </ol> <p>It is essential for investors considering the Sundaram Alternates Debt PMS plans to thoroughly review the specific features outlined in the offering documents and have a clear understanding of how the underlying strategy aligns with their investment goals and risk tolerance. Due diligence and communication with the IM are crucial aspects of making informed investment decisions.</p>

Investment Approach	Sundaram Alternates Fixed Income Rated Short Term ('FIRST') Plan – Moderate
Investment Theme	Debt
Investment objective	<p>The investment objective of the FIRST Plan is to create a stable, income-generating portfolio of fixed income bonds rated between AAA to BBB with reasonable liquidity features. FIRST aims to provide investors with an opportunity to participate in a risk-adjusted returns ('RAR') portfolio that is well diversified with periodic income distributions, while maintaining a focus on capital preservation.</p> <p>The plan emphasizes on constructing a well-rated portfolio across various maturities, high-grade credit and well-capitalised issuers, with the goal of optimizing RAR.</p> <p>The Investment Manager ('IM') will employ rigorous credit analysis and risk management strategies to identify such opportunities while managing potential credit risks effectively. Investors in this plan can expect a steady stream of income through coupon payments, along with the potential to generate risk and inflation adjusted returns.</p> <p>The FIRST Plan is designed to cater to income-oriented investors seeking an alternative fixed-income solution to fixed deposits / tax savers / GSecs.</p>
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc.	Primarily listed debt securities, listed and rated PTC securities and Gsecs. Temporary investments into liquid funds will be done to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	<p>The selection of securities for the FIRST Plan will be guided by:</p> <ol style="list-style-type: none"> <li><b>Focus on safety / capital preservation:</b> The primary emphasis of this plan is on well-rated debt instruments, which typically offer periodic coupon rates and have 2-3 year durations. The IM selects securities with the potential for predictable yields aiming to generate a steady stream of income for investors.</li> <li><b>Diversification:</b> Diversification will be a key driver for portfolio creation. The portfolio will include a mix of rated securities across various maturities (within 2-3 years), credit parameters identified by the IM and RAR to spread risk and enhance the overall stability of the portfolio.</li> <li><b>Credit Risk Management:</b> While seeking to improve portfolio yields, the IM will actively manage potential credit risks through constant credit analysis, market feedback on creditworthiness of issuers and benchmarking to RARs based on market events with a view to balance returns and safety.</li> <li><b>Maturity Profile:</b> The FIRST Plan will look to blend 2-3 year durations with the IM's outlook on rates and liquidity.</li> <li><b>Yield-to-Maturity (YTM) Considerations:</b> The FIRST Plan will participate in both secondary trades as well as primary issuances so as to be able to invest into both 'hold to maturity' trades as well as being able to sell-down to lock-in attractive returns if the opportunities are available.</li> <li><b>Active Management:</b> The plan will employ an active management approach, enabling an adaptive portfolio in response to changing market dynamics. Regular monitoring and adjustments will be made to optimize the balance between yield generation and risk mitigation.</li> <li><b>Risk Management:</b> Robust risk management strategies will be implemented to identify and mitigate potential risks associated with securities. This includes a thorough assessment of liquidity risk, interest rate risk, and other factors that may impact the stability of the portfolio.</li> </ol> <p>In addition, the Plan may explore the use of credit default swaps as a form of insurance against potential defaults on the underlying debt securities, to the extent feasible.</p> <p>By integrating these principles into the investment approach, the FIRST Plan aims to provide investors with an income-focused strategy and being able to lock-in reasonably attractive RARs while managing associated risks effectively.</p>
Allocation of portfolio across types of securities	<p>The FIRST Plan will be structured to achieve the fund's investment objectives as stated above and, in this context, to optimize RAR, the typical portfolio allocation may include:</p> <ol style="list-style-type: none"> <li><b>Stable AAA-BBB Corporate Bonds:</b> A significant portion of the portfolio may be allocated in this risk bucket. These are largely listed debt securities issued by healthy corporations with strong financial parameters looking to access the debt capital markets to raise lower duration financing vis-à-vis the typical enterprise level debt they might be able to raise at lower costs.</li> <li><b>Government and PSU Bonds:</b> These would largely be GSecs / T Bills etc which are sovereign / almost sovereign status securities. To provide a degree of safety and stability, a portion of the portfolio may be allocated to such securities. While these typically offer lower yields compared to other corporate bonds, they contribute to diversification and help manage overall portfolio and liquidity risks.</li> <li><b>Commercial Paper (CP):</b> The Plan may also allocate a portion of its portfolio to subscribing to short-term CP issuances of 3-12 months with a view to boost fee income for the Plan and also to maintain short-term liquidity.</li> <li><b>Cash and Cash Equivalents:</b> While the primary focus is on income generation, maintaining liquidity is essential. A portion of the portfolio may be allocated to cash and cash equivalents to meet redemption requests and take advantage of new investment opportunities. This bucket would include highly liquid GSecs / T Bills etc.</li> <li><b>Listed PTCs:</b> A portion of the portfolio may be allocated to listed and rated PTCs</li> </ol> <p>The specific allocation percentages across these types of securities will depend on market conditions, interest rate outlook, credit risk assessments, and the Plan's overall strategy.</p>
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index
Indicative tenure or investment horizon	3 years
Other salient features, if any	<p>In addition to the allocation across various types of securities, the Sundaram Alternates Debt PMS strategies may encompass several other salient features such as:</p> <ol style="list-style-type: none"> <li><b>Customization:</b> PMS often provides a certain level of customization based on the risk profile, investment objectives, and preferences of individual clients. The IM may tailor the portfolio to align with the specific financial goals of each investor and create bespoke portfolios based on the requirements of larger clients with mandates say INR 25-100 crores.</li> <li><b>Liquidity Management:</b> The Debt PMS strategies are expected to incorporate liquidity management strategies, to ensure that there are adequate liquid assets within the portfolio or structural back-stops to meet redemption requests and capitalize on new investment opportunities.</li> <li><b>Regular Reporting and Communication:</b> Investors will receive regular reports and updates on the performance of the portfolio. The IM may communicate investment strategies, market insights, and other relevant information to keep investors informed about their investments.</li> <li><b>Exit Load Structure:</b> Given that the IM is looking to create 2-3 year duration portfolios, the PMS plans are likely to have an exit load structure, particularly for redemptions within a short period. This is designed to encourage investors with a medium term investment horizon and optimize yields from the Debt PMS plans.</li> </ol> <p>It is essential for investors considering the Sundaram Alternates Debt PMS plans to thoroughly review the specific features outlined in the offering documents and have a clear understanding of how the underlying strategy aligns with their investment goals and risk tolerance. Due diligence and communication with the IM are crucial aspects of making informed investment decisions.</p>

<b>Investment Approach</b>	<b>Sundaram Alternates Fixed Income Rated Short Term ('FIRST') Plan – Conservative</b>
Investment Theme	Debt
Investment objective	<p>The investment objective of the FIRST Plan is to create a stable, income-generating portfolio of fixed income bonds rated between AAA to BBB with reasonable liquidity features. FIRST aims to provide investors with an opportunity to participate in a risk-adjusted returns ('RAR') portfolio that is well diversified with periodic income distributions, while maintaining a focus on capital preservation.</p> <p>The plan emphasizes on constructing a well-rated portfolio across various maturities, high-grade credit and well-capitalised issuers, with the goal of optimizing RAR.</p> <p>The Investment Manager ('IM') will employ rigorous credit analysis and risk management strategies to identify such opportunities while managing potential credit risks effectively. Investors in this plan can expect a steady stream of income through coupon payments, along with the potential to generate risk and inflation adjusted returns.</p> <p>The FIRST Plan is designed to cater to income-oriented investors seeking an alternative fixed-income solution to fixed deposits / tax savers / GSecs.</p>
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc.	Primarily listed debt securities, listed and rated PTC securities and Gsecs. Temporary investments into liquid funds will be done to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	<p>The selection of securities for the FIRST Plan will be guided by:</p> <ol style="list-style-type: none"> <li><b>Focus on safety / capital preservation:</b> The primary emphasis of this plan is on well-rated debt instruments, which typically offer periodic coupon rates and have 2-3 year durations. The IM selects securities with the potential for predictable yields aiming to generate a steady stream of income for investors.</li> <li><b>Diversification:</b> Diversification will be a key driver for portfolio creation. The portfolio will include a mix of rated securities across various maturities (within 2-3 years), credit parameters identified by the IM and RAR to spread risk and enhance the overall stability of the portfolio.</li> <li><b>Credit Risk Management:</b> While seeking to improve portfolio yields, the IM will actively manage potential credit risks through constant credit analysis, market feedback on creditworthiness of issuers and benchmarking to RARs based on market events with a view to balance returns and safety.</li> <li><b>Maturity Profile:</b> The FIRST Plan will look to blend 2-3 year durations with the IM's outlook on rates and liquidity.</li> <li><b>Yield-to-Maturity (YTM) Considerations:</b> The FIRST Plan will participate in both secondary trades as well as primary issuances so as to be able to invest into both 'hold to maturity' trades as well as being able to sell-down to lock-in attractive returns if the opportunities are available.</li> <li><b>Active Management:</b> The plan will employ an active management approach, enabling an adaptive portfolio in response to changing market dynamics. Regular monitoring and adjustments will be made to optimize the balance between yield generation and risk mitigation.</li> <li><b>Risk Management:</b> Robust risk management strategies will be implemented to identify and mitigate potential risks associated with securities. This includes a thorough assessment of liquidity risk, interest rate risk, and other factors that may impact the stability of the portfolio.</li> </ol> <p>In addition, the Plan may explore the use of credit default swaps as a form of insurance against potential defaults on the underlying debt securities, to the extent feasible.</p> <p>By integrating these principles into the investment approach, the FIRST Plan aims to provide investors with an income-focused strategy and being able to lock-in reasonably attractive RARs while managing associated risks effectively.</p>
Allocation of portfolio across types of securities	<p>The FIRST Plan will be structured to achieve the fund's investment objectives as stated above and, in this context, to optimize RAR, the typical portfolio allocation may include:</p> <ol style="list-style-type: none"> <li><b>Stable AAA-BBB Corporate Bonds:</b> A significant portion of the portfolio may be allocated in this risk bucket. These are largely listed debt securities issued by healthy corporations with strong financial parameters looking to access the debt capital markets to raise lower duration financing vis-à-vis the typical enterprise level debt they might be able to raise at lower costs.</li> <li><b>Government and PSU Bonds:</b> These would largely be GSecs / T Bills etc which are sovereign / almost sovereign status securities. To provide a degree of safety and stability, a portion of the portfolio may be allocated to such securities. While these typically offer lower yields compared to other corporate bonds, they contribute to diversification and help manage overall portfolio and liquidity risks.</li> <li><b>Commercial Paper (CP):</b> The Plan may also allocate a portion of its portfolio to subscribing to short-term CP issuances of 3-12 months with a view to boost fee income for the Plan and also to maintain short-term liquidity.</li> <li><b>Cash and Cash Equivalents:</b> While the primary focus is on income generation, maintaining liquidity is essential. A portion of the portfolio may be allocated to cash and cash equivalents to meet redemption requests and take advantage of new investment opportunities. This bucket would include highly liquid GSecs / T Bills etc.</li> <li><b>Listed PTCs:</b> A portion of the portfolio may be allocated to listed and rated PTCs</li> </ol> <p>The specific allocation percentages across these types of securities will depend on market conditions, interest rate outlook, credit risk assessments, and the Plan's overall strategy.</p>
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index
Indicative tenure or investment horizon	3 years
Other salient features, if any	<p>In addition to the allocation across various types of securities, the Sundaram Alternates Debt PMS strategies may encompass several other salient features such as:</p> <ol style="list-style-type: none"> <li><b>Customization:</b> PMS often provides a certain level of customization based on the risk profile, investment objectives, and preferences of individual clients. The IM may tailor the portfolio to align with the specific financial goals of each investor and create bespoke portfolios based on the requirements of larger clients with mandates say INR 25-100 crores.</li> <li><b>Liquidity Management:</b> The Debt PMS strategies are expected to incorporate liquidity management strategies, to ensure that there are adequate liquid assets within the portfolio or structural back-stops to meet redemption requests and capitalize on new investment opportunities.</li> <li><b>Regular Reporting and Communication:</b> Investors will receive regular reports and updates on the performance of the portfolio. The IM may communicate investment strategies, market insights, and other relevant information to keep investors informed about their investments.</li> <li><b>Exit Load Structure:</b> Given that the IM is looking to create 2-3 year duration portfolios, the PMS plans are likely to have an exit load structure, particularly for redemptions within a short period. This is designed to encourage investors with a medium term investment horizon and optimize yields from the Debt PMS plans.</li> </ol> <p>It is essential for investors considering the Sundaram Alternates Debt PMS plans to thoroughly review the specific features outlined in the offering documents and have a clear understanding of how the underlying strategy aligns with their investment goals and risk tolerance. Due diligence and communication with the IM are crucial aspects of making informed investment decisions.</p>

<b>Investment Approach</b>	<b>Sundaram Alternates Fixed Income Rated Short Term ('FIRST') Plan – Bespoke</b>
Investment Theme	Debt
Investment objective	<p>The investment objective of the FIRST Plan is to facilitate customization within the portfolio construct to align with the risk appetite of respective investors and create a stable, income-generating portfolio of G-Secs and/or listed fixed income instruments rated between AAA to BBB with reasonable liquidity features. FIRST aims to provide investors with an opportunity to participate in a risk-adjusted returns ('RAR') portfolio that is well diversified with an option of periodic income distributions, while maintaining a focus on capital preservation.</p> <p>The plan emphasizes on constructing a well-rated portfolio across various maturities, high-grade credit, and well-capitalised issuers, with the goal of optimizing RAR.</p> <p>The Investment Manager ('IM') will employ rigorous credit analysis and risk management strategies to identify such opportunities while managing potential credit risks effectively. Investors in this plan can expect a steady stream of income through coupon payments, along with the potential to generate risk and inflation adjusted returns.</p>
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc.	Primarily listed debt, G-Secs and PTC securities. Temporary investments into Liquid funds will be done only to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	<p>The selection of securities for the FIRST Plan will be guided by:</p> <ol style="list-style-type: none"> <li><b>Focus on safety / capital preservation:</b> The primary emphasis of this plan is on well-rated debt instruments, which typically offer option of periodic coupon rates. The IM selects securities with the potential for predictable yields aiming to generate a steady stream of income for investors with an option to re-invest or receive distribution of such income.</li> <li><b>Diversification:</b> Diversification will be a key driver for portfolio creation. The portfolio will include a mix of rated securities across various maturities, credit parameters identified by the IM and RAR to spread risk and enhance the overall stability of the portfolio.</li> <li><b>Credit Risk Management:</b> While seeking to improve portfolio yields, the IM will actively manage potential credit risks through constant credit analysis, market feedback on creditworthiness of issuers and benchmarking to RARs based on market events with a view to balance returns and safety.</li> <li><b>Maturity Profile:</b> The FIRST Plan will look to blend durations of various tenure with the IM's outlook on rates and liquidity.</li> <li><b>Yield-to-Maturity (YTM) Considerations:</b> The FIRST Plan will participate in both secondary trades as well as primary issuances so as to be able to invest into both 'hold to maturity' trades as well as being able to sell-down to lock-in attractive returns if the opportunities are available.</li> <li><b>Active Management:</b> The plan will employ an active management approach, enabling an adaptive portfolio in response to changing market dynamics. Regular monitoring and adjustments will be made to optimize the balance between yield generation and risk mitigation.</li> <li><b>Risk Management:</b> Robust risk management strategies will be implemented to identify and mitigate potential risks associated with securities. This includes a thorough assessment of liquidity risk, interest rate risk, and other factors that may impact the stability of the portfolio.</li> </ol> <p>In addition, the Plan may explore the use of credit default swaps as a form of insurance against potential defaults on the underlying debt securities, to the extent feasible.</p> <p>By integrating these principles into the investment approach, the FIRST Plan aims to provide investors with an income-focused strategy and being able to lock-in reasonably attractive RARs while managing associated risks effectively.</p>
Allocation of portfolio across types of securities	<p>The FIRST Plan will be structured to achieve the fund's investment objectives as stated above and, in this context, to optimize RAR, the typical portfolio allocation may include:</p> <ol style="list-style-type: none"> <li><b>Stable AAA-BBB Corporate Bonds:</b> A portion of the portfolio may be allocated in this risk bucket. These are largely listed debt securities issued by healthy corporations with strong financial parameters looking to access the debt capital markets to raise lower duration financing vis-à-vis the typical enterprise level debt they might be able to raise at lower costs.</li> <li><b>Government and PSU Bonds:</b> These would largely be GSecs / T Bills etc which are sovereign / almost sovereign status securities. To provide a degree of safety and stability, a portion of the portfolio may be allocated to such securities. While these typically offer lower yields compared to other corporate bonds, they contribute to diversification and help manage overall portfolio and liquidity risks.</li> <li><b>Commercial Paper (CP):</b> The Plan may also allocate a portion of its portfolio to subscribing to short-term CP issuances of 3-12 months with a view to boost fee income for the Plan and also to maintain short-term liquidity.</li> <li><b>Cash and Cash Equivalents:</b> While the primary focus is on income generation, maintaining liquidity is essential. A portion of the portfolio may be allocated to cash and cash equivalents to meet redemption requests and take advantage of new investment opportunities. This bucket would include highly liquid GSecs / T Bills etc.</li> <li><b>Listed PTCs:</b> A portion of the portfolio may be allocated to listed and rated PTCs.</li> </ol> <p>The specific allocation percentages across these types of securities will depend on market conditions, interest rate outlook, credit risk assessments, and the Plan's overall strategy.</p>
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index
Indicative tenure or investment horizon	3 months - 4 years.
Other salient features, if any	<p>In addition to the allocation across various types of securities, the Sundaram Alternates Debt PMS strategies may encompass several other salient features such as:</p> <ol style="list-style-type: none"> <li><b>Customization:</b> PMS often provides a certain level of customization based on the risk profile, investment objectives, and preferences of individual clients. The IM may tailor the portfolio to align with the specific financial goals of each investor and create bespoke portfolios based on the requirements of larger clients with mandates say INR 25-100 crores.</li> <li><b>Liquidity Management:</b> The Debt PMS strategies are expected to incorporate liquidity management strategies, to ensure that there are adequate liquid assets within the portfolio or structural back-stops to meet redemption requests and capitalize on new investment opportunities.</li> <li><b>Regular Reporting and Communication:</b> Investors will receive regular reports and updates on the performance of the portfolio. The IM may communicate investment strategies, market insights, and other relevant information to keep investors informed about their investments.</li> <li><b>Exit Load Structure:</b> Given that the IM is looking to create medium to long term portfolios, the PMS plans are likely to have an exit load structure, particularly for redemptions within a short period. This is designed to encourage investors with a medium-long term investment horizon and optimize yields from the Debt PMS plans.</li> </ol> <p>It is essential for investors considering the Sundaram Alternates Debt PMS plans to thoroughly review the specific features outlined in the offering documents and have a clear understanding of how the underlying strategy aligns with their investment goals and risk tolerance. Due diligence and communication with the IM are crucial aspects of making informed investment decisions.</p>

Investment Approach	Sundaram Alternates - Multi Asset Compounder (SAMAC)
Suitable for	Large Value Accredited Investor
Minimum Investment	Rs.10 cr.
Investment Theme	Multi Asset
Investment objective	To seek long-term capital appreciation and regular income by adopting a multi-asset and sector-agnostic approach to invest in reasonably priced assets that align with the client's long-term framework. Designed as per client requirement for long-term investment horizons seeking returns by making allocation to investments that are aligned with their investment framework.
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Primarily in Listed equity, listed debt, unlisted securities including units of AIF, ReITs. Temporary investments into liquid / overnight funds will be done to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	Allocation is done by actively investing in different asset class from defined securities universe to achieve the investment objectives. <b>Listed Equities</b> - Bottom-up approach to stock Selection. <b>Private Credit</b> - Selection is based on risk-adjusted yield, rigorous credit underwriting, quality of collateral/security cover, and the track record of the Investees. <b>Fund of Funds / Secondaries</b> - Evaluation of underlying manager expertise, fund vintage, and the potential for capital appreciation through discounted secondary entries. <b>REITs / InvITs / Tactical Calls</b> - Focused on distribution yield consistency, asset occupancy rates, and underlying infrastructure quality. <b>Liquid / Overnight Funds</b> - Primarily selected based on high liquidity and safety of principal for temporary treasury management.
Allocation of portfolio across types of securities	<ul style="list-style-type: none"> <li>• Real Estate Credit</li> <li>• Corporate Credit / Special Situations</li> <li>• Listed Mid &amp; Small Cap Equities</li> <li>• Listed Debt Securities</li> <li>• Fund of Funds / Secondaries</li> <li>• Others (REIT/ Invits / Tactical Calls)</li> <li>• Liquid / overnight mutual funds</li> </ul> <p>The specific allocation percentages across these types of securities will depend on market conditions, interest rate outlook, credit risk assessments, and the Plan's overall strategy.</p>
Appropriate benchmark to compare performance and basis for choice of benchmark	NSE Multi Asset Index 2
Indicative tenure or investment horizon	10 years
Other salient features, if any	Bespoke investment strategy The Strategy shall ensure that at portfolio level annual income distributions / cash dividends shall be fully distributed to investors to create a periodic income stream. From time to time, at the discretion of the Portfolio Manager the strategy may choose to re-invest these incomes again, after consent from the investors.

<b>Investment Approach</b>	<b>Sundaram Alternates – Structured Debt Compounder (SASDC)</b>
Suitable for	Large Value Accredited Investor
Minimum Investment	Rs.10 cr.
Investment Theme	Debt
Investment objective	To invest in secured & unsecured debt securities (listed & unlisted) across real estate, non-real estate companies Pan India through Non-Convertible Debentures and other structured debt instruments (Eg: OCDs) as suitable to provide risk-adjusted returns to investors.
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Investments in listed as well as unlisted debt securities with the ability to primarily focus on unlisted securities in the form of NCDs, OCDs and other secured or downside protected structured credit instruments. Temporary investments into liquid / overnight funds will be done to manage liquidity and as a treasury plan.
Basis of selection of such types of securities as part of the investment approach	Private Credit - Selection is based on primarily unlisted, secured, amortising, cash coupon generating securities issued by credible and financially healthy companies / projects backed by a combination of hard assets and cashflows. Liquid / Overnight Funds - Primarily selected based on high liquidity and safety of principal for temporary treasury management.
Allocation of portfolio across types of securities	Primarily into unlisted NCDs which are secured as mentioned above. The Strategy can go upto 100% in real estate credit where the Portfolio Manager has a strong track record. Remaining in temporary investments (Cash, liquid and / or overnight funds)
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index
Indicative tenure or investment horizon	Upto 5 years
Other salient features, if any	The Strategy shall ensure income distributions on a periodic basis, usually quarterly. From time to time, at the discretion of the Portfolio Manager the strategy may choose to re-invest these incomes, with consent from the investors.

Investment Approach	Liquid Strategy
Investment Theme	Debt
Investment objective	To provide investors the flexibility to stagger their investments in the PMS strategy. Option to invest funds into liquid and / or overnight funds thereby enabling the client to switch into equity strategies as per his/her requirement throughout the investment term.
Description of types of securities e.g. equity or debt listed or unlisted, convertible instruments, etc	Liquid and / or overnight funds
Basis of selection of such types of securities as part of the investment approach	Short-term for temporary holdings
Allocation of portfolio across types of securities	Up to 100% in liquid and / or overnight funds
Appropriate benchmark to compare performance and basis for choice of benchmark	CRISIL Composite Bond Fund Index The strategy will invest in liquid and or overnight funds. Hence, we had selected the above benchmark
Indicative tenure or investment horizon	Short-term (< 1year)
Other salient features, if any	Nil

#### **Rationale for selecting the benchmark**

Among the options given by Association of Portfolio Managers in India (APMI):

- S&P BSE 500 fits the best Primary benchmark to our equity strategies and CRISIL Composite Bond Fund Index for our debt strategies.
- NSE Multi Asset Index 2 fits the best primary benchmark to our LVF Strategy - Sundaram Alternates - Multi Asset Compounder and CRISIL Composite Bond Fund Index for our Sundaram Alternates – Structured Debt Compounder (SASDC) strategy.
- Nifty Midcap 150, Nifty Smallcap 250 fits the best secondary benchmark to our equity strategies.

iii. 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. - NIL

## 6. RISK FACTORS

### A. General Risks Factors

- (1) Investment in Securities, whether on the basis of fundamental or technical analysis or otherwise, is subject to market risks which include price fluctuations, impact cost, basis risk etc.
- (2) The Portfolio Manager does not assure that the objectives of any of the Investment Approach will be achieved and investors are not being offered any guaranteed returns. The investments may not be suitable to all the investors.
- (3) [Past performance of the Portfolio Manager does not indicate the future performance of the same or any other Investment Approach in future or any other future Investment Approach of the Portfolio Manager. [OR] The
- (4) The names of the Investment Approach do not in any manner indicate their prospects or returns.
- (5) Appreciation in any of the Investment Approach can be restricted in the event of a high asset allocation to cash, when stock appreciates. The performance of any Investment Approach may also be affected due to any other asset allocation factors.
- (6) When investments are restricted to a particular or few sector(s) under any Investment Approach; there arises a risk called non-diversification or concentration risk. If the sector(s), for any reason, fails to perform, the Portfolio value will be adversely affected.
- (7) Each Portfolio will be exposed to various risks depending on the investment objective, Investment Approach and the asset allocation. The investment objective, Investment Approach and the asset allocation may differ from Client to Client. However, generally, highly concentrated Portfolios with lesser number of stocks will be more volatile than a Portfolio with a larger number of stocks.
- (8) The values of the Portfolio may be affected by changes in the general market conditions and factors and forces affecting the capital markets, in particular, level of interest rates, various market related factors, trading volumes, settlement periods, transfer procedures, currency exchange rates, foreign investments, changes in government policies, taxation, political, economic and other developments, closure of stock exchanges, etc.
- (9) The Portfolio Manager shall act in fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing in a manner which is not detrimental to the Client.

### B. Risk associated with equity and equity related instruments

- (10) Equity and equity related instruments by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of equity and equity related instruments may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the government, taxation laws, political, economic or other developments, which may have an adverse impact on individual Securities, a specific sector or all sectors. Consequently, the value of the Client's Portfolio may be adversely affected.
- (11) Equity and equity related instruments listed on the stock exchange carry lower liquidity risk, however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended Securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell Securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of Securities held in the Client's Portfolio.
- (12) Risk may also arise due to an inherent nature/risk in the stock markets such as, volatility, market scams, circular trading, price rigging, liquidity changes, de-listing of Securities or market closure, relatively small number of scrip's accounting for a large proportion of trading volume among others.

### C. Risk associated with debt and money market securities

- (13) Interest Rate Risk  
Fixed income and money market Securities run interest-rate risk. Generally, when interest rates rise, prices of existing fixed income Securities fall and when interest rate falls, the prices increase. In case of floating rate Securities, an additional risk could arise because of the changes in the spreads of floating rate Securities. With the increase in the spread of floating rate Securities, the price can fall and with decrease in spread of floating rate Securities, the prices can rise.
- (14) Liquidity or Marketability Risk  
The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. The Securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these Securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.
- (15) Credit Risk  
Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold

at a higher yield above those offered on government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

(16) Reinvestment Risk

This refers to the interest rate risk at which the intermediate cash flows received from the Securities in the Portfolio including maturity proceeds are reinvested. Investments in fixed income Securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the debt security. Consequently, the proceeds may get invested at a lower rate.

**D. Risk associated with derivatives instruments**

(17) The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. 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 the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.

(18) Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. 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 of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

**E. Risk associated with investments in mutual fund schemes**

(19) Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the schemes will be achieved. The various factors which impact the value of the scheme's investments include, but are not limited to, fluctuations in markets, interest rates, prevailing political and economic environment, changes in government policy, tax laws in various countries, liquidity of the underlying instruments, settlement periods, trading volumes, etc.

(20) As with any securities investment, the NAV of the units issued under the schemes can go up or down, depending on the factors and forces affecting the capital markets.

(21) Past performance of the sponsors, asset management company (AMC)/fund does not indicate the future performance of the schemes of the fund.

(22) The Portfolio Manager shall not be responsible for liquidity of the scheme's investments which at times, be restricted by trading volumes and settlement periods. The time taken by the scheme for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the schemes.

(23) The Portfolio Manager shall not be responsible, if the AMC/ fund does not comply with the provisions of SEBI (Mutual Funds) Regulations, 1996 or any other circular or acts as amended from time to time. The Portfolio Manager shall also not be liable for any changes in the offer document(s)/scheme information document(s) of the scheme(s), which may vary substantially depending on the market risks, general economic and political conditions in India and other countries globally, the monetary and interest policies, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally.

(24) The Portfolio Manager shall not be liable for any default, negligence, lapse error or fraud on the part of the AMC/the fund.

(25) While it would be the endeavor of the Portfolio Manager to invest in the schemes in a manner, which will seek to maximize returns, the performance of the underlying schemes may vary which may lead to the returns of this portfolio being adversely impacted.

(26) The scheme specific risk factors of each of the underlying schemes become applicable where the Portfolio Manager invests in any underlying scheme. Investors who intend to invest in this portfolio are required to and are deemed to have read and understood the risk factors of the underlying schemes.

**F. Risk arising out of Non-diversification**

(27) The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non-diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry. Similarly, the portfolios with investment objective to have larger exposure to certain market capitalization buckets,

would be exposed to risk associated with underperformance of those relevant market capitalization buckets. Moreover, from the style orientation perspective, concentrated exposure to value or growth stocks based on the requirement of the mandate/strategy may also result in risk associated with this factor.

#### **G. Risk arising out of investment in Associate and Related Party transactions**

- (28) During the financial year ended 31st March 2026, there are no transactions in securities by portfolio manager and its employees who are directly involved in investment operations having conflict of interest with the transactions in any of the client's portfolio.
- (29) The Portfolio Manager may utilize the services of its group companies or associates for managing the portfolios of the client. In such scenarios, the Portfolio Manager shall endeavor to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates by ensuring that such dealings are at arm's length basis.
- (30) The Portfolios may invest in its Associates/ Related Parties relating to portfolio management services and thus conflict of interest may arise while investing in securities of the Associates/Related Parties of the Portfolio Manager. Portfolio Manager shall ensure that such transactions shall be purely on arms' length basis and to the extent and limits permitted under the Regulations. Accordingly, all market risk and investment risk as applicable to securities may also be applicable while investing in securities of the Associates/Related Parties of the Portfolio Manager.

#### **H. RISK FACTORS**

- (31) Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the investments will be achieved.
- (32) Past performance of the portfolio manager does not indicate the future performance.
- (33) As with any investment in securities, the value of the Portfolio can go up or down depending on the factors and forces affecting the capital market.
- (34) The investment made by the Portfolio Manager is subject to the risk arising from the investment objective, investment approach /strategy and asset allocation.
- (35) The investment made by the Portfolio Manager is subject to Risk arising out of non-diversification, if any.
- (36) During the financial year ended 31st March 2026, there are no transactions in securities by portfolio manager and its employees who are directly involved in investment operations having conflict of interest with the transactions in any of the client's portfolio.
- (37) Sundaram Alternate Assets Limited also acts as the Investment Manager for:
  - i) Sundaram Alternative Investment Trust, a trust organized in India and registered with SEBI as a Category III – Alternative Investment Fund, vide registration number IN/AIF3/16-17/0291.
  - ii) Sundaram Category II Alternative Investment Trust, a trust organized in India and registered with SEBI as a Category II – Alternative Investment Fund, vide registration number IN/AIF2/17-18/0340.

Appropriate controls are in place to manage conflicts and potential conflicts between PMS and AIF activities to ensure clients' interest are protected at all times.

- (38) Securities investments are subject to market and other risks and there can be no guarantee against loss resulting from investments made by the Portfolio Manager. The various factors which may impact the value of the portfolio manager's investments include, but are not limited to fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes etc. The portfolio manager does not guarantee or assure any returns.
- (39) Investment decisions made by the Portfolio Manager may not always be profitable.
- (40) The tax implications described in this disclosure document are available under the present taxation laws subject to conditions. The information given is for general purpose only and based on advice received by the Portfolio Manager on the prevalent laws and practice in India. Such laws or their interpretation are subject to change. However, each individual investor/client is advised to consult his/her/their own professional tax advisor.
- (41) Prospective investors should review/ study this disclosure document carefully in its entirety and shall not construe its contents hereof or regard the summaries contained herein as advice relating to legal, taxation, financial/investment matters and are advised to consult their own professional advisors on the various aspects of their investments/holdings/disposal along with its tax implications before making an investment decision.
- (42) The investment in Indian capital market involves above average risk for investors compared with other types of investment opportunities. Investments will be of a longer duration compared to trading in securities. There is a possibility of the value of investment and the income therefrom falling as well as rising depending upon the market situation. There is also risk of total loss of value of an asset, possibilities of recovery of loss in investments only through legal process.
- (43) The investments made are subject to external risks such as war, natural calamities, technology updation/obsolescence, policy changes in local and international markets and the like.
- (44) The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the PMS

products.

## I. SECTOR SPECIFIC RISKS

### Strategy specific risk factors common to Rising Stars, Voyager, SISOP, SELF, SUNIOP, SITP and Quant

**Liquidity Risk:** Mid and small cap stocks are generally illiquid in terms of trading volumes on stock market. Illiquidity risks are higher for small cap stocks. This may result in higher impact costs. Impact costs are those costs that are incurred for acquiring and disposing off the stocks. These are different from brokerage and custodian charges. The scheme does not guarantee that impact cost will be minimized or eliminated.

**Volatility Risk:** Mid and small cap stocks are more susceptible to volatility due to their size. It takes less volume to move prices and common for price of a small cap stock to fluctuate significantly.

**Economic / Business Risk:** Mid and small cap stocks due to their smaller size are more susceptible to economic downturns. This can be due to a variety of reasons like inability to get credit, lack of scale, etc., which can result in their going out of business exposing the portfolio to losses. Also, these companies do not have a well-established position in the industry exposing them to heightened risk from competition, change in govt policy, change in rules and regulations in the industry, etc., Also in the case of Quant strategy, the rule may throw up investments in companies with poor economic and business outlook. Investing in these companies may lead to capital losses.

**Concentration Risk:** The portfolio will have a limited number of stocks and hence has higher risk. Further due to limited number of stocks the portfolio may not also be diversified in terms of sectors, thereby exposing the portfolio to risk of concentration.

Further, in the case of SUNIOP, Multicap and Quant Strategies, although investments may be across the cap curve, it is possible that a single cap curve may have a high allocation, thereby nullifying / reducing the diversification benefit.

**Corporate governance risk:** Information about promoters of mid and small cap companies are less publicly available and in spite of conducting due diligence it is possible that the promoters may indulge in activities that are not in favor of the minority shareholders, have poor corporate governance standards overall and in some cases may turn out to be outright fraudulent. If the portfolio has invested in such stocks, its value can see a sharp decline.

**Performance risk:** A portion of the assets may be invested directly or indirectly in companies in highly competitive markets or product segments dominated by firms with substantially greater financial and technical resources. Companies in which the strategy invests may operate in product segments that face technological changes and/or may be dominated by other firms or organizations.

These and other inherent business risks could affect the performance of these companies and affect the value of investments, thereby affecting the strategy as a whole due to their involvement in these companies.

In the case of Quant Strategy, there is no guarantee that quant and rule based investment strategy will lead to better performance. It is possible that this fund may under perform other non-quant based strategies / funds.

**Nature of Investments:** Some of the investments made by the strategy will be in companies with low market capitalization whose securities may be less liquid than other companies. The risk of investing in such companies is much greater than the risk of investing in companies with larger market capitalization.

**Portfolio Risk:** The portfolio could have investments spread by geographic region or asset type with varying exit horizons. Poor performance by even a few of these investments could lead to adverse effects on the portfolio's overall returns. The portfolio could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

**Portfolio Value Considerations:** The NAV per Unit is expected to fluctuate over time with the performance of the applicable portfolio investments. An investor may not fully recover his initial investment when he chooses to redeem his Units if the NAV per Unit at the time of such redemption is less than the subscription price paid by such Unitholder.

**Deployment Risk:** Owing to the market conditions, the strategy may not be able to identify assets to deploy capital and therefore the same may be a deterrent factor to achieve any targets laid down.

Also in the case of Quant Strategy, it is possible that the rule may break down and there can be periods where the rule is not able to suitably identify investments. This may lead to funds not being deployed.

**Reliance on the Investment Manager:** The Investment Manager shall manage the assets and will take its investments and divestment decisions for the strategy. The investors will not be able to make investment or other decisions in connection with their portfolio except those specified in their application to the manager. Therefore, the success of the portfolio will depend upon the ability of the Investment Manager to source, select, complete and realize appropriate investments.

In the case of the Quant Strategy, the success of the portfolio will also depend upon the robustness of the rule based approach to select appropriate investments.

**Past Performance is not an assurance for Performance of the Fund:** Past performance of the Investment Manager and existing strategies managed is not an indication of the future performance. Investors are not being offered assured returns or revocation, and there will be no recourse to the Trustee, Investment Manager or the Sponsor.

## J. Other risk factors in the case of Quant strategy:

**Reliance on Historical back Testing:** The fund would primarily be investing in equity and equity related securities where

portfolio construction and periodic rebalancing will be based on quantitative models. These models are based on historic correlations of set of parameters with price movements of stocks and markets. The models may fail to give optimal returns as the past is not always a good indicator of the future and models may not be able to anticipate future events.

**Rule Based Investments:** Investment strategy of Quant Funds is essentially rule-based, driven by algorithms developed on basis of historical relations of multiple factors with stock price movements. Rule based models may not always be able to correctly predict the market and may give wrong signals which may result in losses. Also, the rule may miss opportunities and may lead to wrong opportunities all of which may result in loss of capital.

**Timing the Market:** Another risk that can emanate from a rule based investment strategy would be it inherently may try to time the market. Timing the market is fraught with uncertainty and may lead to losses.

**Mismatch Risk:** The fund may use techniques and instruments for efficient portfolio management and to attempt to hedge or reduce the risk. However, these techniques and instruments if imperfectly used have the risk of the fund incurring losses due to mismatches, particularly in a volatile market.

**High Churn:** The nature of the rules may be such that it may involve a high churn in the portfolio with resultant trading and other costs which may not be in the interest of the investors.

**Poor stock selection:** The rule may throw up investments in fundamentally poor companies or companies with poor governance. Investing in these companies based on rules may lead to loss of capital.

**Interest Rate Risk:** As with debt instruments, changes in interest rate may affect the price of the debt instrument(s) and ultimately fund's Net Asset Value. Generally, the prices of instruments increase as interest rates decline and decrease as interest rates rise.

Indian debt and government securities markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.

**Credit Risk:** Credit risk or Default risk refers to the risk that an issuer of a fixed income security may default (i.e. the issuer will be unable to make timely principal and interest payments on the security). Normally, the value of fixed income securities will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default and thereby leading to possible movements in the NAV.

#### K. **Strategy specific risk factors common to Alpha Equity**

**Liquidity Risk:** Liquidity risk is low as portfolio can be easily liquidated as average market cap of companies is above 10000 crores.

In the case of Alpha Equity, the portfolio can be easily liquidated in 3 business days.

**Volatility Risk:** Volatility risk is low as standard deviation is in line with the benchmark.

**Economic / Business Risk:** Business risk is low as we invest in established companies which have seen cycles.

**Corporate governance risk:** Low as we invest in established organization with very high corporate governance.

**Portfolio Risk:** Low as portfolio level it is well diversified.

**Portfolio Value Considerations:** There is effective tracking, forecasting and performance comparison of the portfolio with the benchmark.

**Deployment Risk:** Low as investment is in fairly large companies. Deployment is easily possible.

**Reliance on the Investment Manager:** Portfolio manager has the discretion on the stock selection provided the process as defined at the inception of the fund is followed.

**Concentration Risk:** Concentration risk is low as portfolio risk well diversified. Concentration risk is high in the case of India Equity as we take high conviction bets.

**Performance risk:** Medium. High in the case of India Equity due to concentration bets.

#### **Risk Factors - Securities Lending**

Securities Lending means the lending of securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the portfolio. The borrower will return the securities lent on the expiry of the stipulated period or the lender can call the same back i.e. the scheme before its expiry. Subject to the limits prescribed by SEBI, the fund may lend the securities for a specific period to generate better returns on those stocks which are otherwise bought with the intention to hold for a long period of time.

#### L. **Risk Factors - Repo in Corporate Bond**

In accordance with SEBI circular no. CIR / IMD / DF / 19 / 2011 dated November 11, 2011 and CIR/IMD/DF/23/2012 dated November 15, 2012, Sundaram Liquid Fund and Sundaram Overnight Fund (schemes of Sundaram Mutual Fund) where the strategy/ies invest, may participate in the corporate bond repo transactions as per applicable guidelines. The investment restrictions applicable to the scheme's participation in the corporate bond repos will also be as prescribed or varied by SEBI from time to time.

Applicable guidelines as prescribed by the necessary Regulatory authorities and internally by the company shall be followed.

Risk envisaged and mitigation measures for repo transactions: Credit risks could arise if the counterparty does not return the security as contracted or interest received by the counter party on due date. This risk is largely mitigated, as the choice

of counterparties is largely restricted and their credit rating is taken into account before entering into such transactions. Also operational risks are lower as such trades are settled on a Delivery Vs Payment basis.

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin) and the net proceeds may be refunded to us. Thus the scheme may only in remote cases suffer losses.

**M. Risk arising out of concentration in certain sector/ theme / segment**

The investment according to investment objective of a Portfolio may result in concentration of investments in a specific sector/ theme / segment such as Real Estate Sector, Special Situations Theme, MSME segment etc., which may expose the portfolio to risk arising out of non-diversification. Further, the portfolio with investment objective to invest in a specific sector / theme / segment would be exposed to risk associated with such sector / theme / segment and its performance will be dependent on performance of such sector / theme / segment

Similarly, the portfolios with investment objective to have larger exposure to certain market capitalization buckets, would be exposed to risk associated with underperformance of those relevant market capitalization buckets. Moreover, from the style orientation perspective, concentrated exposure to value or growth stocks based on the requirement of the mandate/strategy may also result in risk associated with this factor.

**Risk Factors - Private Credit**

The Multi Asset Class strategy (the strategy) will have private credit exposure to real estate companies, small and medium enterprises and corporates going through special situations like restructuring, issuers in financial distress offering mispriced securities or requiring capital for specific events like spin-offs, mergers, acquisitions, or divestitures etc.,

Exposure to such private credit assets will be through investing in the unlisted debt securities of private real estate companies in India. Such debt securities are likely to be considered illiquid. As a result, there will be no readily available secondary market for the interests in such Portfolio Companies, and those interests will be subject to legal restrictions on Transfer. These investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is much greater than the risk of investing in publicly traded securities. The costs of disposing of securities in a privately held company may be substantial. Moreover, these unlisted private companies are not regulated by the same disclosure and investment protection norms that apply to listed companies.

**Portfolio Concentration Risk**

The Strategy may not have a fair degree of diversification in its private real estate or corporate credit or special situations credit investments by geographic region or asset type. Poor performance by even a few of these investments could lead to adverse effects on the returns received by the Investors. The Strategy could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

**Long-term nature of Investments**

The Strategy is intended only for those investors who understand the long-term nature of the projected portfolio and the nature of investments. Instruments used to execute investments including equity and equity options, warrants and other equity / debt or debt linked instruments, will be illiquid and are unlikely to have realizable value for a lengthy period of time. The costs of disposing of unlisted securities in a privately held investment company may be substantial.

**Deployment / Deal Access Risk**

Owing to the market conditions in the private credit market, the Strategy may not be able to identify assets to deploy the capital / funds of the investor and therefore the same may be a deterrent factor for the Strategy to achieve the targets laid down by the Portfolio Manager. There is a risk that the Portfolio Manager's expectations regarding its ability to access transactions of sufficient volume and investment quality to meet the Strategy's investment objectives are not fulfilled.

Factors that may affect this risk may include, but are not limited to, competition for assets, changes in India's regulatory or legal environment, or changes in India's macroeconomic conditions.

The Strategy will compete with other investors for investments in such private credit Portfolio Companies. This may result in fewer attractive investment opportunities. The Portfolio Manager of the Strategy may not be able to identify and successfully close a sufficient number of high-quality investments. In addition, such competition may have an adverse effect on the length of time required to fully invest the monies of the Strategy. Any undeployed monies meant for pending investment in Portfolio Companies, may be retained in cash or may be invested in short-term or medium-term money market instruments or in any such equivalent instruments. Such investments may substantially reduce the Strategy's overall return.

**Diverse Investor group**

The investors in the Strategy may have conflicting investment, tax and other interests with respect to their investments in the Strategy. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Strategy, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Portfolio Manager, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, in particular with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Strategy, the Portfolio Manager will consider the investment objectives of the Strategy as a whole,

not the investment, tax or other objectives of any investor individually.

### **Performance Risks**

A portion of the Strategy's assets may be invested in companies in highly competitive markets or product segments dominated by firms with substantially greater financial and technical resources than the Portfolio Companies in which the Strategy invests. Portfolio Companies in which the Strategy invests may operate in product segments that face technological changes and/or may be dominated by other firms or organizations.

The investment performance of the Strategy will depend upon the performance of the Portfolio Companies. There can be no assurance that the Portfolio Companies will achieve profitable operations. The performance of the Portfolio Companies and the value of the Strategy's interest in the Portfolio Companies may be adversely affected by numerous factors including, for example, (i) business, economic, and political conditions throughout India and the world; (ii) the supply of and demand for the goods and services produced, provided, or sold by Portfolio Companies; (iii) changes and advances in technology that may, among other things, render goods and services sold by the Portfolio Companies obsolete; and (iv) actual and potential competition from other companies and countries. Certain Portfolio Companies may need substantial additional capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms or at all.

### **Market Dislocation Risk**

Recent geo-political and macro-economic events in global financial markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. To the extent that such conditions continue (or even worsen), this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of global economies. Any resulting economic downturn could adversely affect the financial resources of borrowers in which the Strategy has invested and result in the inability of such borrowers to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Strategy may suffer a partial or total loss of investments from such borrowers, which would, in turn, have an adverse effect on the Strategy's returns and in turn, affect returns received by Investors. Such marketplace events also may restrict the ability of the Strategy to sell or liquidate investments at favourable times or for favourable prices (although such marketplace events may not foreclose the Strategy's ability to hold such investments until maturity). There can be no assurance as to the duration of the current market dislocation.

### **Leverage risk of Portfolio Companies**

The Strategy may invest in Portfolio Companies, the capital structure of which may have significant leverage. While investments in leveraged entities offer the opportunity for capital appreciation, such investments may also involve a high degree of risk. Although the Portfolio Manager will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of Portfolio Companies will increase the exposure of such Portfolio Companies to adverse economic factors such as rising interest rates, downturns in the economy, debt or equity capital markets or deteriorations in the condition of investments and which may impair such Portfolio Companies ability to finance its future operations and capital needs and result in restrictive financial and operating covenants, including those that may prevent distributions to the Strategy.

These restrictive financial covenants may limit such Portfolio Companies flexibility to respond to changing business and economic conditions. If a portfolio Company is unable to generate sufficient cash flows to meet principal and/or interest payments on its indebtedness or make regular dividend/profits payments, the value of such Investment could be significantly reduced or even eliminated, magnifying potential losses. Moreover, the Strategy may invest in securities that are not protected by financial covenants or limitations on additional indebtedness. Although the use of leverage may enhance returns and increase the number of investments that can be made, it will also substantially increase the risk of loss, given that a company's assets are often used as security and may be taken from the company by its creditor in the event of foreclosure. There is also the risk that such companies may not be able to source sufficient debt finance to meet their requirements.

### **Potential Illiquidity of the Strategy's Investments**

There may not be a readily available market for the Strategy's unlisted investments in portfolio entities. The lack of an established, liquid secondary market for the Strategy's unlisted investments may have an adverse effect on their market value and on the Strategy's ability to dispose them of. Therefore, no assurance can be given that, if the Strategy is determined or required to dispose of its investment in a particular Portfolio Company, it will be able to dispose of such investment on a timely basis at an appropriate market price.

The feasibility and terms of any proposed exit for the Strategy in respect of its unlisted private credit investments will depend in part on factors that are not within the control of the Strategy, at the time of the proposed disposition and the effect of applicable legislation and political and economic conditions. Consequently, the precise timing of the disposition of an unlisted private credit investment and the manner of disposition are impossible to predict, and no assurance can be given that such disposition will be achieved on terms favourable to the Strategy.

The Strategy may make investments that may not be advantageously disposed of for paying any redemption request from the investor. The Portfolio Manager may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of any redemption request or account closure request by the investor.

### **In-Kind redemption payments**

Redemptions by the investor in the Strategy may be paid in-kind which could consist of securities or other properties for which there is no readily available public market. Some redemptions may include securities listed with an Indian stock exchange but may suffer from low trading volumes. There can be no assurance that the listing of these securities will provide the investor with a viable exit mechanism. In addition, there can be no assurance that an investor will be able to dispose of any property or securities paid in-kind and therefore receive a return on capital or recover its capital investor in the Strategy

### **Contingent Liability Risk linked to disposal of private securities**

The strategy, to a significant extent, will invest in private securities. In connection with the disposal of an investment in private securities, the strategy may be required to make representations and give warranties about the business and financial affairs of the Portfolio Companies typical of those made in connection with the sale of a business. The strategy may also be required to indemnify the purchasers of such investments to the extent that any such representations or warranties are found to be inaccurate. These arrangements may result in the incurrence of contingent liabilities by the strategy that may ultimately yield funding obligations that must be satisfied by the investors in the strategy from any redemption payments which are yet to be made to such investors.

### **Disclosure Risk**

Since the unlisted Portfolio Companies are not bound by the same regulatory disclosure norms of their listed peers and as there are certain gaps in the legal infrastructure (including in relation to auditing and reporting standards) there is a likely impact on the Portfolio Manager's ability to undertake due diligence and monitor and realise investments in securities of such unlisted companies. The Portfolio Manager will ensure strict due diligence in their research before investing. Companies which have poor corporate governance, barely comply with reporting standards, (and show any other such issue) will not ordinarily pass through our investment framework, unless otherwise decided by the Portfolio Manager.

### **Restrictions or Challenges to make investment decisions based on certain information**

Many investment decisions by the Portfolio Manager may be dependent upon the ability to obtain relevant information from non-public sources, either directly or through secondary sources and the Portfolio Manager often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. Portfolio Manager and its affiliates may be restricted from initiating transactions in certain securities on behalf of the Strategy and the Strategy may not be free to act upon certain information.

Due to these restrictions, the Strategy may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Such challenges to access information or restriction to act on certain information depend upon many factors beyond the control of the Portfolio Manager.

### **Uncertainty of Financial Projections**

Privately held companies generally do not maintain the same comprehensive financial information that publicly traded companies are required to maintain. Therefore, when investing in a privately held company, which the Portfolio Manager expects to do, the Strategy and the Portfolio Manager may invest on the basis of financial projections of portfolio Companies. Projected operating results will normally be based primarily on financial projections prepared by such Portfolio Investment's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be attained, and actual results may vary significantly from the projections. General economic conditions, (which are not predictable are completely outside the control of the Portfolio Manager and its respective associates and employees), can have a material adverse impact on the reliability of such projections and hence on the Portfolio Companies ability to meet contracted repayment obligations.

### **No assurance of returns / redemptions**

The Investors in the Strategy are not being offered assured returns or redemption, and there will be no recourse to the Portfolio Manager. Accordingly, the ability of the Strategy to pay returns on/redeem the investments will depend on the realisations from the Portfolio Investments. The funds available for payment for any redemption request will be limited to the monies recovered on the portfolio investments after meeting all liabilities and obligations.

### **Risks Associated with Convertible Debt Instruments**

The Multi Asset Class strategy may make investments in fully, partially or optionally convertible securities that may be converted into or exchanged for a specified amount of equity instruments of the same or a different issuer within a particular period of time at a specified price or formula. Such convertible security entitles its holder to receive interest that is generally paid or accrued on debt until the convertible security matures or is redeemed, converted or exchanged.

Convertible securities have unique investment characteristics in that they generally (i) have higher yields than equity, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying equity due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying equity increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying equity).

The investment value of a convertible security is influenced by changes in interest rates, with investment value declining

as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying equity. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent, the market price of the underlying equity approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying equity while holding a fixed-income security.

Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the portfolio company issuing it, at a price set out in the investment documents. If a convertible security held by the strategy is called for redemption, the strategy will be required to permit the portfolio company to redeem the security, convert it into the underlying equity or sell it to a third party. Any of these actions could have an adverse effect on the strategy's ability to achieve its investment objective.

#### **Control Position / Minority Equity position Risk**

The Strategy may seek investment opportunities that allow the Strategy to acquire control or exercise significant influence over management and the strategic direction of portfolio companies, in the case of occurrence of certain events as defined in the covenants of the debt instruments. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of business operations generally may be ignored. The exercise of control over a portfolio company could expose the assets of the Strategy to claims by such portfolio companies, its security holders and its creditors.

While the Portfolio Manager intends to manage the Strategy in a way that will minimise exposure to these risks, the possibility of successful claims cannot be precluded altogether. Where the Strategy acquires management or control rights in respect of the investment, the exposure to loss in respect of the investment may exceed the amount of the Strategy's initial investment. Further, there is a possibility that such control in a portfolio company may impact any of the existing Strategy managed by the Portfolio Manager since the other Strategy may also have investments in the same portfolio company.

The Strategy may also have resultant minority equity investments in portfolio companies, in the case of occurrence of certain events as defined in the covenants of the debt instruments, where it may have limited influence. Such portfolio companies may have economic or business interests or goals that are inconsistent with those of the Strategy and the Strategy may not be in a position to limit or otherwise protect the value of its investment in such portfolio companies. The Strategy's control over the investment policies of such portfolio companies may also be limited. This could result in the Strategy's investments being frozen in minority positions that incur substantial losses.

#### **Risks associated with Mezzanine Debt**

While mezzanine debt offers payment priority, the risk factors are similar to any other debt or preferred equity investment. Various factors such as the experience of the borrower, the quality of the underlying asset and the strength of the market may affect any subordinated debt investments.

These and other inherent business risks could affect the performance of the Portfolio Companies, and affect the value of the Strategy's investments, thereby affecting the Strategy as a whole.

#### **Follow-On Investments**

The Strategy may be called upon to provide follow-on funding to the Portfolio Companies or have the opportunity to increase its investment in such Portfolio Companies. There can be no assurance that the strategy will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Strategy not to make follow-on investments or its inability to make them may have a substantial negative impact on the returns of the Strategy or negatively impact an portfolio company in need of such an investment or may diminish the Strategy's ability to influence the Portfolio Companies' future development.

#### **Investment in Restructurings**

The Strategy may make investments in restructurings that involve Portfolio Companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Such Investments could, in certain circumstances, subject the Strategy to certain additional potential liabilities, which may exceed the value of the Strategy's original Investments therein.

#### **Risks in effecting operating improvements**

In most of the cases, the success of the Strategy will depend, in part, on the ability of the Portfolio Manager to restructure and effect improvements in the operations and asset management of the Portfolio Companies. The activity of identifying and implementing potential operating improvements entails a high degree of uncertainty. There can be no assurance that the Portfolio Manager of the Strategy will be able to successfully identify and implement such improvements.

#### **Risks related to Accounting Standards & Due Diligence**

Generally accepted accounting standards and practices in India may differ significantly from those practiced in other countries, which may affect Strategy's evaluation of potential investments and ability to perform due diligence. The financial information appearing on the financial statements of a company operating in India may not reflect its financial

position or the results of its operations in the way that they would be reflected if the financial statements had been prepared in accordance with generally accepted accounting principles in other jurisdictions.

In addition, the scope and nature of Strategy's due diligence activities in connection with

Portfolio Investments will be more limited than due diligence reviews conducted in more developed economies because, among the other factors listed in this paragraph (a) certain information is unavailable or prohibitively costly to obtain and/or (b) the information that is available is generally less reliable and less detailed than financial information that is typically available to investors in western countries. While the Portfolio Manager will endeavour to conduct due diligence in connection with each asset purchase, no assurance can be given that they will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

#### **Valuation Risk**

Ascertaining the value of the unlisted securities may prove difficult. Therefore, valuations of the portfolio investments are inherently subjective to a certain extent. There may be no public market for the unlisted securities of the Portfolio Companies. Thus, portfolio valuation inherently is highly subjective and imprecise. In establishing the value of the Strategy's investment portfolio, accounting firms, investment banks and other consulting firms, when needed, may be consulted to assist with the valuation of the Strategy's investments. The value set by the Portfolio Manager may not reflect the price at which the Strategy could dispose of its interests in a particular Portfolio Companies at any given time.

#### **Unavailability of Insurance against Certain Catastrophic Losses**

Certain losses of a catastrophic nature, such as wars, earthquakes, typhoons, epidemics, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. If a major uninsured loss occurs, the Strategy could lose both the Portfolio Investments and anticipated profits from such affected Portfolio Investments. The real assets of the Portfolio Companies could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) that may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or are not economically insurable.

Inflation, changes in building codes and ordinances, environmental considerations and other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur, Portfolio Companies could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, Portfolio Companies could be liable to repair damage caused by uninsured risks. Portfolio Companies would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

#### **Risk Factors Associated with Investments in REITs and InVITS:**

**Interest-Rate Risk:** REITs/ InVITs carry interest-rate risk, as investors may compare the yield on the REITs/InvIT to prevailing interest rates and the price of the REIT / InvIT may move in line with changing interest rates. Though it should be remembered that REIT / InvIT are not debt instruments and their price/value depends to a large extent on the underlying assets. Generally, when interest rates rise, prices of existing securities fall and when interest rates drop, such prices increase.

**Risk of lower-than-expected distributions:** The distributions by the REIT or InVIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT / InVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate based on, among other things:

- success and economic viability of underlying projects - for e.g. real estate in the case of REITs and power projects in case of an InVIT whose underlying project is generation of power
- economic cycles and risks inherent in the business which may negatively impact valuations, returns and profitability of portfolio assets
- debt service requirements and other liabilities of the portfolio assets and fluctuations in the working capital needs
- ability of portfolio assets to borrow funds and access capital markets
- amount and timing of capital expenditures on portfolio assets

**Liquidity Risk:** This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be time when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.

**Price-Risk:** The valuation of the REIT / InvIT units may fluctuate based on economic conditions, fluctuations in markets (eg. Real estate) in which the REIT/InvIT operates. As an indirect shareholder of portfolio assets, investors rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets.

#### **Risk Factors associated with investments in Real Estate Sector:**

**Real Estate Risk:** The market for real estate is, in general, less liquid than the market for securities. In addition, real estate

developments have often been mired in controversies on various grounds such as defective title to the land, alleged violation of zonal and legal regulations etc., resulting in long delays in the completion of such projects. If such problems were to occur in projects developed by the Portfolio Company, it may adversely affect the valuation of the investment of the client and may also result in complete loss of the capital invested by him/her.

**Title Risk:** The method of documentation of land records in India has not been fully computerized and is mostly done manually with physical records of all land related documents physically updated. This could result in the updation process getting substantially delayed or being inaccurate in certain aspects.

**Land Acquisition:** The property ownership rights in India are subject to the imposition of restrictions by the Government. The Government is vested with the right to acquire any land or part thereof if the same is for a 'public purpose'. Where any property held by a Portfolio company is so acquired by the Government, the compensation received by the Portfolio company from the Government might be substantially lesser than the price such property would have been able to fetch in the open market.

**Environment Laws:** The operations of Portfolio companies are subject to numerous statutes, rules and regulations relating to environmental protection. There is the possibility of existing or future environmental contamination, including soil, seawater and groundwater contamination, as a result of the spillage of hazardous materials or other pollutants that may result from the normal operations of Portfolio companies.

**Litigation:** Properties in India are susceptible to litigation, which takes a long time to settle and is quite complex in nature. If any property held by a Portfolio company is or becomes subject to litigation, it could have an adverse impact on the valuation of the investment of the client.

**Tenancy Risk:** Where the Investment in a Portfolio company having tenancy properties as its underlying assets, the monetary inflows for the Portfolio Company could be impacted by the bankruptcy, insolvency or non-payment by the tenant or for any other reasons.

**Use of Agricultural Land:** Certain lands in India have been reserved for the purpose of carrying on agricultural activities only. In order to carry on any non-agricultural activities on such lands, prior permission of the relevant local authority is required to be obtained. Hence, if any agricultural land is held by a Portfolio Entity and such Portfolio Entity does not obtain the requisite permission for usage of the agricultural land for non-agricultural purposes, then the Portfolio Entity would not be able to implement the proposed project on such land which would affect the returns of the Portfolio Entity.

**Development Risk:** The Portfolio investments shall be subject to various development risks, delay in project risk, regulatory and various other legal risks. Development risks could be mitigated by providing an incentive structure to the Portfolio companies for timely completion of the project. The same could lead to significant time and cost overruns. Also the delay in getting approvals for the projects for which the Portfolio companies are bidding may also impact the valuation of the investment of the client.

**Construction Risk:** The development of properties includes a degree of risk associated with the construction of the property, including the risk that a project may not be completed within the proposed budget, within the agreed timeframe and/or to the agreed specifications. Also, the Real estate projects involve significant construction and development works with construction cost forming a major portion of the project capital expenditure. Construction cost is affected by the availability, cost and quality of raw materials. The prices and supply of these and other raw materials depend on factors not within the control of the Portfolio companies, including general economic conditions, competition, production levels, transportation costs and import duties.

**Delays in Project:** The construction of projects may face opposition from local communities, nongovernment organisations and other parties. The construction of projects may become politicised and face opposition from the local communities where these projects are located and from special interest groups. In particular, the public may oppose the acquisition or lease of land due to the perceived negative impact it may have on such communities or on the environment.

**Competition Risk:** The Portfolio companies may invest, construct or maintain and operate certain real estate assets in a highly-competitive environment. The Portfolio companies will compete with other consortia and entities for property and real estate-related assets. These competitors, which include large construction and engineering groups and other financial investors, may have significant financial resources and may be able to present bids with competitive terms. As a result of such competition, the Portfolio companies may have difficulty in making certain potential investments or the Portfolio companies may be required to make investments on economic terms less favorable than anticipated.

**Government License Risk:** All of the Portfolio investments will be in entities that are subject to substantial regulation by governmental agencies. In addition, their operations may often rely on governmental licences or contracts that are generally very complex and may result in disputes over interpretation or enforceability. If the Portfolio companies fail to comply with these regulations, license terms or contractual obligations, it would have a significant adverse impact on the projects and the financial performance of the Portfolio companies and in turn the valuation of the investment of the client.

**Change in Law Risk:** Any change in applicable law, which requires retrospective changes in the structure or operations of the Portfolio investment, may adversely impact the performance of the Portfolio investment. Accounting practices may also change, which may affect, in particular, the manner in which the Portfolio investments are valued and / or the way in which income or capital gains are recognised and/or allocated by the Portfolio.

**Documents and Other Legal Risk:** Investments in the real estate sector are usually governed by a complex series of legal documents and contracts. As a result, the risk of a dispute over the interpretation and enforceability of legal documents

or contracts may be higher than for investments in other sectors. Other legal risks relate to environmental issues, industrial actions and actions by special interest groups.

**Third Party Litigation and Ability to Enforce Legal Rights:** The investment activities of the Portfolio may subject to the normal risks of becoming involved in litigation with third parties. This risk is enhanced where the Portfolio exercises (or is perceived to exercise) some amount of control over the direction of the affairs of a Portfolio company. The Indian judicial system is subject to extensive delays, procedural hassles and high costs and, as a result, the Portfolio may have difficulty in pursuing claims in the court.

### **Risk Factors – Special Situations Theme**

Special situations investments are considered very high-risk thematic investments because their returns depend on specific event outcomes rather than overall market trends

The primary risk factors for this theme include:

- **Event & Catalyst Uncertainty**  
The success of these thematic investments relies on specific catalysts like mergers, acquisitions, or restructurings occurring as predicted.
  - **Execution Failure:** If a planned merger fails or a restructuring does not yield the expected results, stock prices can fall sharply.
  - **Realisation Delays:** Delays in these events can cause temporary high volatility and reduce overall gains.
- **High Short-Term Volatility** - Because these theme focus on companies in transition or distress, they often experience much sharper price swings than traditional diversified strategies. This volatility is often tied to news flow and market speculation.
- **Liquidity & Concentration Risk**
  - **Limited Trading:** Strategies often invest in smaller companies or distressed debt that may have minimal trading volume, making it difficult to sell positions quickly at full value.
- **Complexity & Operational Risks**
  - **Due Diligence Challenges:** Identifying these opportunities requires advanced expertise and timing, as information on distressed or early-stage companies is often opaque.
  - **Manager Skill Dependency:** Strategy performance is heavily reliant on the manager's ability to pick the right stocks and time entries and exits correctly.
- **Specialized Risks for Distressed Investing**  
If a strategy focuses on financial distress sub-theme, it faces additional specific risks:
  - **Credit & Default Risk:** There is a high likelihood that a company may not meet its debt obligations, potentially leading to total loss for shareholders.
  - **Legal & Regulatory Risk:** Litigation, creditor disputes, or changes in government policy can significantly alter the outcome of a restructuring or bankruptcy.
  - **Reputational Risk:** Investing in distressed debt, especially in developing nations, can carry moral and reputational concerns.

Given these factors, it is recommended that investment in Special Situation them is generally suitable only for seasoned investors with a high-risk tolerance and a long-term investment horizon

### **Risks associated with investments in Alternative Investment Funds (AIFs)**

#### **Limited Operating History**

The Strategy may invest in AIF(s) that have limited operating history for evaluating its comparative performance or the likely performance. There can be no assurance that the AIF(s) will be able to implement its investment strategy and investment approach or achieve its investment objective or targeted returns or that the Strategy will receive a return on its capital.

#### **Concentration risk**

AIFs invest in companies focused on certain themes / sectors like real estate sector credit, MSME credit, performing credit, special situations credit, Multicap listed equity, Mid / Small-cap listed equity, sectoral listed equity etc., as a result of which the AIF(s) may not have a diversified portfolio. Accordingly, the AIF(s) may face risks associated with concentration of investment, which a diversified portfolio would not generally experience. On the other hand, the AIF(s) in which the strategy also has the option to not concentrate certain sectors / themes and the portfolio may end up being diversified in accordance with the investment objective and strategy of the AIF(s). Consequently, the AIF(s) may also suffer from opportunity costs and risks arising out of these diversified sectors.

#### **Lack of Separate Representation**

The legal counsel to an AIF(s) does not represent the Strategy as an investor in the AIF(s), and no legal counsel will be retained on behalf of the Strategy. There may exist other matters which would have a bearing on the AIF(s) and/or the Trustee or any of its Affiliates upon which the legal counsel to the AIF(s) has not been consulted. The legal counsel to the AIF(s) does not undertake to monitor compliance of the AIF(s) or the Trustee or the Investment Manager of the AIF(s) with the terms set out herein, nor does it monitor compliance with Applicable Laws including the AIF(s) Regulations.

Additionally, the legal counsel to the AIF(s) relies upon information furnished to it by the Investment Manager of the AIF(s) and does not investigate or verify the accuracy and completeness of information set out herein concerning the AIF(s), Trustee or Investment Manager of the AIF(s).

#### **Failure to Meet Drawdowns by other Unitholders of the AIF(s)**

Default by other Unitholders of the AIF(s) under their obligations in the event of a Drawdown may cause the AIF(s) to face a shortage of capital necessary to make planned investments in underlying Investee Companies. Such default may, consequently, cause the AIF(s) to breach its commitments, causing the AIF(s) to become liable to pay damages due to breach of investment and payment obligations to underlying Investee Companies of the AIF(s). Loss of such opportunities, as well as the payment of damages, could result in a material adverse effect on the performance of the AIF(s). The Defaulting Unitholder shall be subjected to remedies available to the AIF(s) as set out in the Contribution Agreement. Further, depending on the quantum of default leading to shrinkage in the AIF(s)'s aggregate corpus may lead to a greater percentage exposure for each Unitholder such as the Strategy to the underlying portfolio investments.

Loss of opportunities as well as payment of damages may impact the performance of the AIF(s).

#### **Restrictions on Withdrawal and Transfer**

Unitholders such as the Strategy may not be permitted to withdraw from the AIF(s). In addition, they may not Transfer any of the interests, rights or obligations with regard to the AIF(s) except as may be provided in the documentation with regard to the AIF(s), and in the AIF Regulations.

#### **Dilution Risk**

The Investment Manager of the AIF(s) may admit other new Unitholders to the AIF(s) at a Subsequent Closing at the price which may be at a discount to the prevailing net asset value of the AIF(s)'s investment. This may, in certain cases, result in dilution of the value of the Units held by the Strategy in view of the fact that the valuation of private equity investments is subjective, and the net asset value arrived at by the Trustee of the AIF(s) or an independent auditor may not reflect the true value of the investments.

#### **Liability for Return of Distributions**

If the AIF(s) is otherwise unable to meet its obligations, the Strategy may, under applicable law, be required to return distributions previously received by them including any wrongful payment to them. In connection with the disposition of a underlying Portfolio Investment, the AIF(s) may be required to make certain representations concerning the business, financial affairs and other aspects (such as environmental, property, tax, insurance, and litigation) of such investment typical of those made in connection with the sale of a business or asset. The AIF(s) may be similarly responsible for the content of disclosure documents under applicable securities laws.

The AIF(s) may also be required to indemnify the purchasers of such investment or the underwriters of a securities offering to the extent that any such representations or disclosure document are inaccurate or with respect to certain potential liabilities. These arrangements may result in incurrence of contingent liabilities for which the Investment Manager of the AIF(s) may establish reserves or escrow accounts. In that regard, the Strategy may be required to return amounts distributed for the payment of the AIF(s)'s obligations, including indemnity obligations.

#### **Investments Longer than Term of the AIF(s)**

The AIF(s) may make its underlying Portfolio Investments that may not be advantageously disposed off prior to the end of the AIF(s)'s Term. Although the Investment Manager of the AIF(s) may expect that the majority of Portfolio Investments will be disposed off prior to the end of the AIF(s)'s Term or be suitable for distribution in-kind, the AIF(s)'s Investment Manager's ability to extend the Term is limited and accordingly, the AIF(s) may have to sell, distribute or otherwise dispose of underlying Portfolio Investments at a disadvantageous time.

#### **Change of control**

Subject to the AIF Regulations and the AIF(s) Documents, there may be a change in a control of the Sponsor and/or the Investment Manager of the AIF(s) during the term of the AIF(s). Any change in control of the Sponsor and/or the Investment Manager may affect the decision-making process with respect to the AIF(s) and consequently, have an adverse impact on the Strategy as a unitholder of the AIF(s).

#### **Reliance on Service Providers/ Intermediaries**

The AIF(s), either directly or through the Trustee or the Investment Manager of the AIF(s), may engage a variety of service providers, including but not limited to those in the areas of legal, tax, accounting, bankers etc. In the event any such persons have any adverse development which affects their performance of duties with their clients or they breach any of the terms of engagement, the AIF(s) might be posed with a risk, which might be significant. Further, there can be no assurance that reliance on such service providers for their services (including opinions on specific matters) would be in the best interests of the AIF(s) and its investment objective. In order to mitigate this risk, the AIF(s) or the Trustee or the Investment Manager of the AIF(s), as the case may be, would endeavour to engage appropriate service providers for the concerned service, based on internal review and monitoring mechanisms.

#### **Reliance on the Investment Manager of the AIF(s)**

The Investment Manager of the AIF(s) shall manage the assets of the AIF(s) and will take its investments and divestments exclusively. The Strategy, as a unitholder in the AIF(s), will not be able to make investment or other decisions in connection

with the AIF(s). The Investment Manager of the AIF(s) has a limited operating track record. Therefore, the judgments of the Investment Manager of the AIF(s)'s expected performance cannot be extrapolated from the past performance of the Investment Manager of the AIF(s). The success of the AIF(s) will depend upon the ability of the Investment Manager of the AIF(s) to source, select, complete and realize appropriate investments. With specific reference to the AIF(s), the Investment Manager of the AIF(s) will have considerable latitude in its choice of assets to invest in and the structuring of Portfolio Investments, subject to the investment parameters set forth in this Memorandum.

#### **Dependence on Key Personnel**

The AIF(s) in which the Strategy may be largely dependent upon the experience and judgment of the Investment Manager of the AIF(s) and its Management Team for selection of suitable underlying Portfolio Investments with inputs from the Investment Committee as per the AIF(s) Documents. The loss of one or more of any key members could have a material adverse effect on the returns of the AIF(s). The Management Team of the AIF(s) is not under any contractual obligation to remain with the Investment Manager of the AIF(s) for all or any portion of the Term. The Management Team will commit a suitable amount of its business efforts as may be necessary to the AIF(s), though it is not required to devote all of its time to the affairs of the AIF(s). They may manage other funds / businesses as well. The inability of the Investment Manager of the AIF(s) to attract and retain the required talent pool may also adversely affect the performance of the AIF(s). Thus, each Unitholder must consider, in making an investment decision that personnel associated with the Investment Manager of the AIF(s) may leave or may be terminated at any time, with or without cause, thus potentially adversely affecting the business activities of the AIF(s).

#### **Closed ended fund / illiquid investment**

The AIF(s) in which the Strategy invests may be organized as a close-ended fund and the Strategy as a unitholder are not permitted to withdraw from such AIF(s). In addition, the Strategy as a unitholder is not entitled to transfer any of the Units in such AIF(s) except with prior consent and in accordance with the process set out in the Contribution Agreement of such AIF(s) and the AIF Regulations. Further, there is no public market for the Units and the Strategy as a unitholder have to bear the risk of holding the investment in such AIF(s) indefinitely during the Term of such AIF(s). The Strategy as a unitholder of the AIF(s) may not be permitted to withdraw from such AIF(s). In addition, the Strategy may not Transfer any of the interests, rights, or obligations with regard to such AIF(s) except as may be provided in the AIF(s) Documentation with regard to the AIF(s) and in the AIF Regulations.

#### **Distributions in Kind**

Distributions by the AIF(s) may be in kind and, upon liquidation of the AIF(s), could consist of securities or other properties for which there is no readily available public market. Some distributions may include securities listed with an Indian stock exchange but may suffer from low trading volumes and low market capitalization at the time of intended disposal. There can be no assurance that the listing of these securities will provide a Unitholder with a viable exit mechanism. In addition, there can be no assurance that a Unitholder will be able to dispose of any property or securities distributed in kind and therefore receive a return on capital or recover its capital contributed to the AIF(s).

#### **Liquidation Risk**

The Portfolio Investments of the AIF(s) may not be disposed of within the Term or the extended period (if any). In case the Investment Manager of the AIF(s) is unable to liquidate the AIF(s) during the (i) Term or extended period (if any), and (ii) during the liquidation period, and is unable to obtain the required approval of the Contributors for extension of the Term of Fund and/or for in specie distribution, the AIF(s) may subsist as a liquidation trust without any approval of the Contributors of the AIF(s) till the AIF(s) is fully liquidated.

#### **Indemnification and Exculpation Risk**

Certain exculpation and indemnification provisions contained in the Investment Management Agreement or Trust Deed of the AIF(s) may limit the rights of action otherwise available to Contributors of the AIF(s) and other parties against the Investment Manager of the AIF(s), the Trustee, its associates, each officer, director, employee, shareholder, partner, member, agent and consultant of any of the foregoing and each member of the Investment Committee of the AIF(s), among others, who serves or has served in such capacity at the request of the Investment Manager of the AIF(s). The Investment Management Agreement of the AIF(s) provides for indemnification of the Investment Manager of the AIF(s) and its shareholders, directors, etc. for any and all actions, suits, proceedings, claims, damages, settlement payments, losses and liabilities arising in connection with the Investment Management Agreement of the AIF(s), unless resulting from gross negligence, wilful misconduct, or fraud. Indemnification of the Investment Manager of the AIF(s) and its shareholders, directors, etc. as well as other parties, may impair the financial condition of the AIF(s) and its ability to acquire assets or otherwise achieve its investment objective or meet its obligations.

#### **Additional Return**

The existence of the Additional Return entitlement may create an incentive for the Investment Manager of the AIF(s), the Investment Committee of the AIF(s) and / or the Management Team of the AIF(s) to recommend and make more speculative investments on behalf of the AIF(s) than it would otherwise make in the absence of such Additional Return entitlement. In addition, the method of calculating the Additional Return entitlement under the Distribution Waterfall may result in conflicts of interest between the Investment Manager of the AIF(s) and the Strategy as a unitholder of the AIF(s) with respect to the management of the AIF(s)'s corpus and the determination of the timing and amount of distributions to the Strategy as a unitholder.

## **Side Letters**

Subject to the Applicable Law, the Investment Manager of the AIF(s), without further act, approval or vote of a Contributor of the AIF(s), may from time to time enter into Side Letters with one or more Contributors of the AIF(s) which provide such Contributors of the AIF(s) with additional and / or different and / or beneficial rights than other Contributors of the AIF(s) such as the Strategy have. The Investment Manager of the AIF(s) shall disclose the Side Letter entered into to the Contributors of the AIF(s).

## **Leverage Risk of the AIF(s)**

The AIF(s) may incur indebtedness (for the purpose of paying expenses of the AIF(s) and Management Fees or meeting temporary funding requirements to the extent necessary to consummate the purchase of investments or funding any amount not received from a Defaulting Contributor of the AIF(s) or such other purposes as may be necessary or desirable to facilitate committed funding of an investment, subject to the AIF Regulations). Certain restrictions shall apply to incurrence of indebtedness by the AIF(s). The AIF(s) may also use its fund property (including the aggregate unpaid Capital Commitments of investors in Fund) to secure any permitted indebtedness. To the extent that the AIF(s) is unable to meet obligations under a leverage facility, there is a risk that the aggregate unpaid Capital Commitments may be used to repay indebtedness, hence a possibility exists of a partial or total loss of the AIF(s)'s capital. The rights of lenders making loans to the AIF(s) will be senior to those of investors, and the terms of any borrowings may contain provisions that limit distributions to the investors or certain other activities of the AIF(s). Payment of interest and fees incurred in connection with such borrowings will reduce any income of the AIF(s) that would otherwise have been available.

## **Management Fees**

As a result of payment of Management Fee, the returns realized by the Strategy as a unitholder of the AIF(s) of the AIF(s) from the AIF(s)'s activities might be less than the returns the Strategy as a unitholder of the AIF(s) may have realized from engaging in the same activities directly if they had made such investments directly without investing in the AIF(s).

## **Investment Manager Termination**

Risk Termination of the AIF(s)'s Investment Manager's appointment may occur pursuant to the terms of the Investment Management Agreement of the AIF(s). Any termination of the AIF(s)'s Investment Manager's appointment as manager of the AIF(s) may have material adverse consequences for the AIF(s) in certain circumstances. Such consequences may include the acceleration of financing facilities made available to underlying Investee Companies or the triggering of a right for Co-investors to acquire the AIF(s)'s interest in a relevant Investment made by the AIF(s) where the terms of the relevant investment document provide for this.

## **Board Participation Risk**

The AIF(s) may be represented on the boards of directors of certain Investee Companies or may have its representative's serve as observers to such boards of directors. Although such positions in certain circumstances may be important to the AIF(s)'s investment strategy and may enhance the AIF(s)'s Investment Manager's ability to manage such investments, they may also have the effect of impairing the Investment Manager's ability to sell the related securities when, and upon the terms, it may otherwise desire. They may also subject the Investment Manager of the AIF(s) and the AIF(s) to claims they would not otherwise be subject to, including claims of breach of duty, securities claims and other director-related claims. In general, the AIF(s) will indemnify the Investment Manager from such claims.

## **Passive Investment Risk**

The Strategy as a unitholder of the AIF(s) will be relying entirely on the Investment Manager of the AIF(s) to conduct and manage the affairs of the AIF(s). The AIF(s) Documents may prohibit the Strategy as a unitholder of the AIF(s) from engaging in the active management and business of Fund. Contributions to be made by the AIF(s) have not yet been fully identified. As a result, the Strategy as a unitholder of the AIF(s) must rely on the ability of the Investment Manager of the AIF(s) to make appropriate investments for the AIF(s) and to manage and dispose of such investments. The Strategy as a unitholder of the AIF(s) will not have the opportunity to evaluate the relevant economic, financial and other information which will be utilised by the investment Manager of the AIF(s) in deciding whether or not to make a particular investment. Furthermore, there is no assurance that the investment selected will be successful.

## **Financial and Tax Situation Risk**

The results of the AIF(s)'s activities may affect individual Unitholders such as the Strategy differently, depending upon their individual financial and tax situations because, for instance, of the timing of a cash distribution or of an event of realisation of a gain or loss. The Investment Manager of the AIF(s) will endeavour to make decisions in the best interests of the AIF(s) as a whole, but there can be no assurance that a result will not be more advantageous to some Unitholders of the AIF(s) and others like the Strategy.

## **Money Laundering Risk**

As part of the AIF(s)'s Investment Manager's responsibility for the prevention of money laundering under Applicable Law, the Investment Manager of the AIF(s) may require a detailed verification of a prospective Unitholder's identity and the source of such prospective Unitholder's Capital Commitment. In the event of delay or failure by a prospective Unitholder such as the Strategy to produce any such information required for verification purposes, the AIF(s) may refuse to admit the prospective Unitholder to the AIF such as the Strategy. Further, the Investment Manager of the AIF(s) may from time to time request (outside of the subscription process), and the Strategy as a unitholder of the AIF(s) will be obligated to

provide to the Investment Manager of the AIF(s) upon such request, additional information as from time to time may be required for the Investment Manager of the AIF(s) to satisfy their respective obligations under these and other laws that may be adopted in the future. Also, the Investment Manager of the AIF(s) may from time to time be obligated to file reports with regulatory authorities in various jurisdictions with regard to, among other things, the identity of the AIF(s)'s Unitholders such as the Strategy and suspicious activities involving the interests.

### **Bankruptcy Remoteness**

The Trust of the AIF(s) has been structured in a manner that each AIF Scheme operates as a separate trust of the AIF(s) and has its own terms and may have different pool of Unitholders such as the Strategy, in order to ensure that each AIF Scheme of the AIF Trust is bankruptcy remote from the other AIF Schemes of the AIF trust. The Trustee of the AIF(s) shall further make best efforts to keep distinct and separate accounts in respect of each AIF Scheme and maintain Units of each AIF Scheme distinct from and independent of the other AIF Schemes. However, no such assurance can be given that the AIF Schemes would remain bankruptcy remote from all other AIF Schemes at all times. There is a risk of a AIF Scheme being held liable for bankruptcy of other AIF Scheme(s) by a court of law or any authority or third-party claims or due to change in Applicable Law. As mentioned, the Trustee of the AIF(s) shall ensure that the assets and liabilities of different schemes under the Trust of the AIF(s) are kept segregated and on a distinct basis, so that there is no bankruptcy risks flowing across AIF Schemes of the Trust.

### **Valuation Risk**

The AIF(s) will rely upon the Investment Manager of the AIF(s) for the valuation of its investments and other assets and to determine the net asset value of the AIF(s) from time to time. The Investment Manager of the AIF(s) will engage an independent valuer to determine the net asset value of the AIF(s) in accordance with the Regulations. However, given the nature of the proposed investments, valuation may be difficult. There may be a relative scarcity of market comparables on which to base the value of the AIF(s)'s assets.

### **Reliance on Professionals and Consultants**

Certain sectors such as Real assets sector is subject to local and municipal level laws, taxes and compliances, in addition to the central and state level legal and tax compliances. Exposure to such laws and compliances would vary from project to project and thus the Investment Manager of the AIF(s) would seek advice from consultants and professionals having relevant experience and rendering services in respect of such matters. The performance of AIF(s)'s investments may be impacted by the nature and quality of advice and services rendered by such local consultants and professionals.

### **Risks associated with Secondary Investment in Private Credit**

Secondary investments in private credit offer access to seasoned portfolios, often at a discount, but carry significant risks, including heightened liquidity constraints, complex valuation challenges, and operational hurdles during asset-level transfers. Key risks involve, opaque structures, potential borrower defaults, and severe valuation discrepancies when exiting positions.

Specific risks include:

**Valuation and Pricing Discrepancies:** While secondary buyers often aim for discounts to Net Asset Value (NAV), the lack of a transparent market makes accurately valuing private credit asset difficult. The underlying assets might be overvalued, leading to realized losses even if purchased at a discount.

**Operational and Transfer Risk:** Transferring private credit assets requires complex administrative procedures, including asset-level documentation and servicing continuity. This can create operational bottlenecks and delays

**Default Risk and Credit Quality:** Secondary investors may inherit assets with deteriorating credit quality or weak, "covenant-lite" asset terms, increasing the likelihood of default.

**Illiquidity and Market Access:** Unlike public bonds, private credit is highly illiquid. Selling in the secondary market during downturns can result in high transaction costs or an inability to exit

### **Risks associated with investments in Structured Products (SPs)/ Market Linked Debentures (MLDs)/ Equity Linked Debentures (ELDs):**

- Returns on Structured securities like Structured Products(SP)/ Market Linked Debentures(MLDs)/ Equity Linked Debentures(ELDs) may be fixed / floating. Such securities may yield returns that will be linked to stocks / indices / schemes / securities of various asset classes.
- Investors are advised to participate only if investor's investment horizon is aligning with the product's tenure. In case of any unforeseen circumstances, if the liquidity is required, investors need to note that there is no active secondary market for it. The liquidity will be available only at the terms of the issuers. The SP/MLD/ELD may not be bought back by the issuer at the valuation price suggested by the rating agency.
- If the issuer decides not to issue / allot the SP/MLD/ELD due to such reasons as it deems fit, no Issue / allotment of SPs will be made.
- If the Issuer chooses to revise the issue opening date/issue closing date/ date of allotment of the SP/MLD/ELD, the Portfolio Manager retains the right to subscribe/refuse to the SP/MLD/ELD as per the new dates.
- The Portfolio Manager, at its sole discretion and under such circumstances as the Portfolio Manager may deem fit to protect the interest of investors, reserves the right to sell the SP/MLD/ELD at any time prior to the maturity of such

SP/MLD/ELD. In such a case, the pay-off may be, lower than the pay-off crystallized, as per the terms of the SP/MLD/ELD. Similarly, the Portfolio Manager reserves the right of premature repayment of the portfolio value to protect the interest of investors. The Portfolio Manager, under such circumstances will not be liable for any diminution in value of principal in case the amount paid to the clients is lesser than the principal originally invested by the Client.

- The Investments in SPs/MLDs/ELDs are subject to credit risk of the issuer of the SPs/MLDs/ELDs either due to default or their inability to make timely payments of principal and interest. The portfolio valuation may also be affected accordingly and in case the issuer of the SP/MLD/ELD defaults, the investor may fail to receive principal amount. In case there is a credit default by the Issuer, there is a risk of receiving lower than expected or negligible returns or returns lower than the initial investment amount in respect of such SP/MLD/ELD over the life and/or part thereof or upon maturity of the SP/MLD/ELD.
- At any time during the life of such SP/MLD/ELD, the value of the SP/MLD/ELD may be substantially less than its investment value. Further, the price of the SP/MLD/ELD may be affected in case the credit rating of the Issuer Company migrates.
- There is a possibility of the Reference Index getting dissolved or withdrawn by the Index Provider and in such a case the Debenture-Trustees upon request by the issuer of the SP/MLD/ELD may modify the terms of issue of SP/MLD/ELD, so as to track a different and suitable index and appropriate intimation will be sent to the SP/MLD/ELD holders.
- The securities are created on the basis of mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behavior of the securities selected for hedging may significantly differ from the returns predicted by the mathematical models.
- The Risk Factors mentioned below are not the only risks ones that might be faced. The business operations of the Issuer could also be affected by additional factors that are not presently known to the Issuer or the Portfolio Manager or that are currently considered to be immaterial to the Issuer's business and operations.
- Credit and counterparty risk: Investment in instruments like SP/MLD/ELD involves a fair measure of uncertainty of payoffs, as changes in the value of underlying Index can cause asymmetric changes in the SP/MLD/ELD value. The term "capital", if used, in relation to "Principal Protection" refers to the face value of the SP/MLD/ELD. Any Principal Protection is subject to the terms of the Issuer Documents, investments being SP/MLD/ELD till maturity and the Issuer's credit risk. The Portfolio Manager does not provide the Principal Protection. The Portfolio Manager may not get an independent market derived valuation price for the SP/MLD/ELD and would rely on an estimate of the fair market value provided by the Issuer/Issuer's Associate from time to time. The market value of the Portfolio may change as the result of changes in the actual or perceived credit standing of the Issuer.

The credit rating of the SP/MLD/ELD does not cover the market risk associated with such instruments. The credit ratings of the Issuer may undergo a change due to any significant negative development affecting the Issuer/Issuer's Group Companies and Associates or the industry. This could severely impact the Issuer's ability to access debt capital markets for its funding requirements. In case there is a credit default by the Issuer, there is a risk of receiving lower than expected or negligible returns or returns lower than the initial investment amount in respect of such SP over the life and/or part thereof or upon maturity of the SP/MLD/ELD. Even where the SP/MLD/ELD are principal protected there is a risk that any failure by a counter party to perform obligations when due may result in the loss of all or part of the investment.

The Portfolio may remain invested in a single security issued by a single Issuer, resulting in higher concentration risk. The Portfolio Manager does not guarantee the returns and / or maturity proceeds thereon. Investors are requested to read all the terms and conditions and the Issuer Documents and risk factors before investing.

- Liquidity Risk: The SPs/MLDs/ELDs are proposed to be listed. Presently, secondary market for such securitized papers is not very liquid. Listing of the SP/MLD/ELD does not necessarily guarantee their liquidity and there can be no assurance that an active secondary market for the SP/MLD/ELD will develop or be maintained. Consequently, the SP/MLD/ELD may be illiquid and quote below its face value/valuation price.
- Market Risk: The value of the Portfolio, prior to the Redemption and Maturity Date, may be affected by a number of factors, including but not limited to the level of the performance of the stocks, option volatility of the stock(s) in the basket, interest rates and time remaining to maturity. The return of the Portfolio is linked to performance of the underlying Equity Index or on single stocks or basket of stocks or Mutual Funds, Futures & Options. The fluctuations in the equity market can be significant. The returns on the SP/MLD/ELD may be lower than prevalent market interest rates or even be nil depending entirely on the movement in the underlying index and futures values as also that over the life of the SP/MLD/ELD (including the amount if any, payable on maturity, redemption, sale or disposition of the SP.) The SP/MLD/ELD holder may receive no income/return at all on the SP/MLD/ELD or less income/return than the SP/MLD/ELD holder may have expected, or obtained by investing elsewhere or in similar investments.
- Operational and System Risk: The issuers that the portfolio manager may invest in typically would have established operational and system controls to safeguard the risk of improper authorizations, inappropriate documentation, failure in maintenance of proper security policies, frauds and employee errors etc. Failure of any of the operational and system (information security) controls may hamper the ability of the Issuer to run its business operations, which in turn may have an adverse effect on the portfolio.
- Business & Management Continuity Risk: Any event, which causes business establishments of the issuers to cease,

functioning in their respective states, could potentially lead to a disruption in the business of the issuers for as long as such a disruption lasts. Additionally, the affairs and operations of the issuers maybe run and managed by Management personnel as a collective group for its efficient functioning and any event such as a large scale resignation of their Management personnel could hamper the ability of the issuers to conduct their business normally, which may in turn affect the performance of the portfolio.

- The issuer of the SP/MLD/ELD, subject to the conditions mentioned in its draft Offer Document, applicable tax laws and the credit risk, would pay the indicated return and capital at the end of the period. The Portfolio Manager does not guarantee the returns and / or maturity proceeds thereon.
- Regulatory and Legal Risk: The issuers and the Portfolio Manager are subject to regulatory supervision. Changes in Government policies may impact the economic environment, which may in turn affect the Issuers/Portfolio Manager. Further, any changes in Government policies can impact business by impacting margins (interest rates) or by impacting distribution growth or through changes in accounting/ /other norms.
- Typically issuers may have bank loans with financial covenants and some of the loans drawn down by issuers may require the issuer to meet financial covenants specified by the lender. Failure of issuers to meet these covenants, could result in these loans being called back by the lenders impacting Issuer's ability to conduct its business, including servicing such debt that is approaching maturity. This could adversely affect the portfolio performance.
- Issuers may face risks if issuer's assets & liabilities are mis-matched with respect to interest rate structure. A mismatch in interest rate profile could lead to a large decline in an issuer's profitability if there is an adverse movement in the interest rates, which could eventually affect the portfolio performance
- The issuers and the Portfolio Manager may be exposed to risk arising out of volatility/slowdown in the global and Indian capital market: The issuers may be exposed to risks due to volatility being experienced in the international market which could have an adverse impact on the Indian market and in turn may adversely affect the value of the Issuer's assets and profits, which in turn may affect the portfolio performance.
- SPs/MLDs/ELDs may generate returns, which are not in line with the performance of the Reference Index, depending on their calculation formulas and underlying investments.
- Clients should be aware that the investment strategy of the Portfolio may lead to a dilution of performance when compared to a direct investment into the equity market of the Index linked to the SPs/MLDs/ELDs. The Participation Rate and the averaging mechanism of the SPs/MLDs/ELDs, if any, will also affect the performance of the Portfolio.

#### **N. Liquid Strategy Risk**

Changes in the prevailing rates of interest are likely to affect the value of the Scheme's holdings and consequently the value of the Scheme's units. Investing in the scheme will be subject to Credit risk, Liquidity risk, Interest rate risk etc. Also, the Scheme may use derivative instruments such as Interest rate Swaps, Forward rate agreements or other derivative instruments for the purpose of hedging and portfolio balancing and trading, as permitted under the regulations and guidelines. Usage of derivatives will expose the Scheme to certain risks inherent to such derivatives. Thus, there is risk of capital loss. Further the Scheme can invest in Repo in Corporate debt, Credit Default Swaps and engage in Securities lending all of which entails risks which can impact the performance of the scheme and the value of the Scheme's units.

**Interest Rate Risk:** Changes in the prevailing rates of interest may affect the value of the Scheme's holdings and consequently the value of the Scheme's Units. Increased rates of interest, which frequently accompany inflation and /or a growing economy, may have a negative effect on the value of the Units.

**Credit Risk:** Credit Risk refers to the risk of failure of interest (coupon) payment and /or principal repayment. All debt instruments carry this risk.

**Price Risk:** As long as the Scheme remains invested, its Net Asset Value (NAV) would be exposed to market fluctuations, and its value can go up as well as down. These price changes may occur due to instrument- specific factors as well as general macroeconomic conditions. In general, price of fixed-income securities goes up when interest rates fall, and vice versa.

**Market Risk:** The Scheme may also be subject to price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity.

**Liquidity Risk:** A lower level of liquidity affecting an individual security (ies) or an entire market may have an adverse bearing on the value of the Scheme's assets.

**Risk relating to investment pattern:** Different types of securities in which the Scheme would invest as given in the Scheme Information Document carry different levels and types of risk. Accordingly, the Scheme's risk may increase or decrease depending upon its investment pattern.

**Risks relating to duration:** Fixed Income securities of any issuer that has higher duration could be more risky in terms of price movements relative to those with lower duration

**Limited Liquidity & Price Risk:** Presently, secondary market for securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them.

**Limited Recourse, Delinquency and Credit Risk:** Securitised transactions are normally backed by a pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement

stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator.

No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Pay outs may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall.

**Credit Rating of the Transaction / Certificate:** The credit rating is not a recommendation to purchase, hold or sell the Certificate in as much as the ratings do not comment on the market price of the Certificate or its suitability to a particular investor. There is no assurance by the rating agency either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency.

**O. Risk Factors: Derivatives**

**Counter Party Risk:** This is the risk of default of obligations by the counter party.

**Market risk:** Derivatives carry the risk of adverse changes in the market price.

**Liquidity risk:** The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.

**Basis Risk:** The risk that the movements in swap rates does not actually reflect the expected movement in benchmark rates, thus, creating a mismatch with what was intended.

The guidelines issued by Reserve Bank of India from time to time for forward rate agreements, interest rate swaps, futures and other derivative products would be adhered to. The Scheme may also use various derivative and hedging products from time to time, as would be available and permitted by SEBI/RBI, in an attempt to protect the value of the portfolio. As and when the Scheme trades in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialised instruments that require investment techniques and risk analysis. 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 the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. 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 instrument could have a large impact on their value. Also, the market for derivative instruments is nascent in India. The Scheme may use techniques such as interest rate swaps, options on interest rates, futures, warrants, forward rate agreement and other derivative instruments that are / may be permitted under SEBI/RBI regulation. These techniques and instruments, if imperfectly used, have the risk of the Scheme incurring losses due to mismatches, particularly in a volatile market.

The Scheme ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any).

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of the fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

Please note the above mentioned risks are indicative and not exhaustive and there may be risks which are force majeure over which the fund manager does not have any control on. There may be risks which the fund manager may not be aware of and he/she may not be responsible for such omission.

For risk relating to co-investment, please refer to the Private Placement Memorandum (PPM) of the respective schemes.

**P. Debt PMS Risk Factors:**

Debt PMS Plans offered by Sundaram Alternates will have underlying portfolios constructed using either High yield strategy or Long-Term strategy or combination of both the strategies in certain proportions. Portfolios under Debt PMS plans would invest in Debt, Money Market and Securitized instruments issued by Corporates, Financial Institutions, Special Purpose Vehicles and by Central or State governments. Debt PMS plans may also use various interest rate and credit derivative instruments permitted by the applicable regulations. As is the case with above mentioned debt investments, Debt PMS strategy's fixed income portfolio is subject to credit, liquidity, and price risks. All these risks may lead to either permanent loss of capital or temporary mark to market losses.

**Interest Rate / Duration / Price Risks:**

Debt investment is subject to price volatility due to changes in interest rates, especially if the RBI changes its policy stance. Interest rate risk also results from changes in demand and supply for money and other macroeconomic factors and create price changes in the value of the debt instruments. Consequently, the value of the strategy may be subject to fluctuation. Generally, prices of long term securities fluctuate more in response to interest rate changes than short term securities.

As the portfolio manager shall be investing mostly with a hold-to-maturity mindset and are comfortable with the carry yield, the intermediate price fluctuations are not major concerning factors from a long-term perspective.

#### **Credit Risk / Repayment Risk:**

Securities carry a Credit risk of repayment of principal or interest by the issuer of the security depending on the ability and willingness of the issuer to the payment of interest and repayment of the principal. This risk depends on micro-economic factors such as financial soundness and ability of the borrower as also macro-economic factors such as Industry performance, Competition from Imports, Competitiveness of Exports, Input costs, Trade barriers, Favorability of Foreign Currency conversion rates, legal & regulatory conditions, etc. Willingness of the issuer also depends on their governance and control structure, values, legacy and integrity of the promoters and the management, prudence in strategy etc.,

Credit risks of most issuers of Debt securities are rated by Independent and professionally run rating agencies. Ratings of Credit issued by these agencies typically range from “AAA” (read as “Triple A” denoting “Highest Safety”) to “D” (denoting “Default”), with about six distinct ratings between the two extremes. The highest credit rating (i.e. lowest credit risk) commands a low yield for the issuer. Conversely, the lowest credit rated issuer can raise funds at a relatively higher cost. Debt and money market instruments also face the risks of downgrade of their credit rating which results in increase in their yield due to expansion of credit spreads.

This results in a decline in the market value of such instruments. Moderating exposure to well-defined issuer specific limits along with a holistic and regular review of the issuer company and the management enables the portfolio manager to manage the credit risk.

#### **Spread Risk:**

In a floating rate security, the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security. Another type of spread is the credit spread in conventional securities like Corporate Bonds or Commercial Papers, depending upon the perception of the credit risk of the issuer of the securities the credit spread may either expand or contract dynamically. In the case of expansion of credit spreads the yield of the securities will also go up resulting in negative price movement of the debt or money market securities.

#### **Liquidity or Marketability Risk:**

This refers to the ease at which a security can be sold at or near its true value. The Portfolio Manager may invest in non-publicly offered debt traded on a recognized stock exchange and / or money market Securities. This may expose the individual securities of Client’s Portfolio or the entire portfolio of the client to liquidity risks. 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. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Strategy.

Different segments of the Indian financial markets have different settlement periods, and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the portfolio manager could, at times, be restricted by trading volumes and settlement periods, the time taken by the Fund for redemption of units may be significant in the event of an inordinately large number of redemption requests or restructuring of the portfolio. Illiquidity of corporate / NBFC debt and money market instruments, given the lack of depth & breadth of debt and money markets in India, is something inherent in such instruments. Nevertheless, the portfolio manager would endeavor to expand our panel of market intermediaries to help the portfolio manager create liquidity in case the need arises.

#### **Reinvestment Risk:**

Investments in debt instruments are subjective to reinvestment risks as interest rates prevailing on interest or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate.

#### **Pre-payment Risk:**

Certain fixed income securities such as callable bonds, asset backed securities (ABS) etc., give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates or pre-pay part of the principal if the underlying loan assets may such pre-payments. The possibility of such prepayment may force the fund to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the fund.

#### **Concentration Risk:**

The investment objective and investment approach could result in concentration of a specific sector / issuer/ credit rating/ instrument type/ corporate group/ maturity bucket / duration bucket etc., which could expose the clients’ assets to risks arising out of non diversification, including improper and/or undesired concentration of investment risks. The portfolio Manager recognizes that diversification of risk through allocation of capital across multiple investments is essential. However, the actual limits with reference to any specific investment are left to the judgment of the Portfolio Manager. While this provides flexibility to optimize investment returns it could potentially have an adverse impact in the event of underperformance related to a large exposure, if any.

#### **Risk factors associated with Debt Derivatives:**

The Portfolio Manager may utilize debt derivative instruments such as Credit Default Swaps, Interest Rate Swaps, Interest Rate Futures etc., for the purpose of hedging credit risk and interest rate risks or for tactical opportunities. The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments. There are certain risks inherent in aforesaid derivatives instruments. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Investor. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and the decision of Portfolio Manager may not always be profitable. Trading in Derivatives has the following risks: (i) An exposure to Derivatives more than the hedging requirements can lead to losses. (ii) exposure to Derivatives, when used for hedging purposes, can also limit the profits in case of non-occurrence of the anticipated risk event (iii) Derivatives carry the risk of adverse changes in the market price. (iv) Illiquidity risk i.e., risk that a Derivative trade may not be executed or reversed quickly enough at a fair price, due to lack of liquidity in the market. Derivatives also are exposed to Basis Risk which arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying being hedged for e.g. mismatch between the maturity date of the futures and the actual maturity or coupon date of the asset.

Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with bonds. The use of a Derivative requires an understanding not only of the underlying instrument but of the Derivative itself.

Derivatives require the maintenance of adequate controls to monitor the transactions entered, the ability to assess the risk that a Derivative adds to the Portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the Portfolio because of the failure of the counterparty to the derivative contract 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 other intended factors.

Risks associated with Investing in Structured Obligation (SO) & Credit Enhancement (CE) rated securities:

The risks factors stated below for the Structured Obligations & Credit Enhancement are in addition to the risk factors associated with debt instruments.

- Credit rating agencies assign CE rating to an instrument based on any identifiable credit enhancement for the debt instrument issued by an issuer. The credit enhancement could be in various forms such as guarantee, shortfall undertaking, letter of comfort, pledge of shares listed on stock exchanges etc. from the issuers, promoters, or another entity. This entity could be either related or non-related to the issuer like a bank, financial institution, etc. Hence, for CE rated instruments evaluation of the credit enhancement provider, as well as the issuer is undertaken to determine the issuer rating.

SO, transactions are asset backed/ mortgage-backed securities, securitized paper backed by hypothecation of loan receivables, securities backed by trade receivables, credit card receivables etc. In the case of SO rated issuer, the underlying loan pools, or securitization, etc. is assessed to arrive at rating for the issuer.

- **Liquidity Risk:** SO rated securities are often complex structures, with a variety of credit enhancements. Debt securities lack a well-developed secondary market in India, and due to the credit enhanced nature of CE securities as well as structured nature of SO securities, the liquidity in the market for these instruments is low as compared to similar rated debt instruments. Hence, lower liquidity of such instruments could lead to the inability of the Debt PMS Plan to sell such debt instruments and generate liquidity for the Debt PMS Plan or higher impact cost when such instruments are sold. Where equity shares are provided as collateral there is the risk of sharp price volatility of underlying securities which may lead to erosion in value of collateral as also low liquidity of the underlying shares which may affect the ability of the fund to enforce collateral and recover capital and interest obligations.
- **Credit Risk:** The credit risk of debt instruments which are CE rated derives from a rating based on the combined strength of the issuer as well as the structure. Hence, any weakness in either the issuer or the structure could have an adverse credit impact on the debt instrument. The weakness in structure could arise due to the inability of the investors to enforce the structure due to issues such as legal risk, inability to sell the underlying collateral or enforce guarantee, etc. In the case of SO transactions, comingling risk and risk of servicer increases the overall risk for the securitized debt or assets backed transactions. Therefore, apart from issuer level credit risk such debt instruments are also susceptible to structure related credit risk.

#### **Risks associated with Securitized Debt:**

The Debt PMS plans offered by Sundaram Alternates may from time to time invest in domestic securitized debt, for instance, in asset backed securities (ABS) or mortgage-backed securities (MBS). Typically, investments in securitized debt carry credit risk (where credit losses in the underlying pool exceed credit enhancement provided, (if any) and the reinvestment risk (which is higher as compared to the normal corporate or sovereign debt). The underlying assets in securitized debt are receivables arising from automobile loans, personal loans, loans against consumer durables, loans backed by mortgage of residential / commercial properties, underlying single loans etc. ABS/MBS instruments reflect the proportionate undivided beneficial interest in the pool of loans and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables.

Risks in various types of underlying loans of securitized debt instruments are highlighted below:

- a) **Auto Loans:** The underlying assets (cars etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of assets becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual. Commercial vehicle loans are susceptible to cyclicity in the economy. In a downturn in the economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the secondhand prices of these vehicles also decline in such an economic environment.
- b) **Housing Loans:** Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower class. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus, the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.
- c) **Consumer Durable Loans:** The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.
- d) **Personal Loans:** These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money. Further, all the above categories of loans have the following common risks: All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.
- e) **Single Loan PTC:** A single loan PTC is a securitization transaction in which a loan given by an originator (Bank/ NBFC/ FI etc.) to a single entity (obligor) is converted into pass through certificates and sold to investors. The primary risk is that of all securitized instruments, which are not traded as often in the secondary market and hence carry an illiquidity risk. The structure involves an assignment of the loan by the originator to the trustee who then has no interest in monitoring the credit quality of the obligor. The investor then must rely on internal credit risk management framework and an external rating agency to monitor the PTC.

**Risk factors associated with investments in Perpetual Debt Instrument / Other Subordinated Debt Instruments:**

- a) **Perpetual debt instruments/bonds** are issued by Banks, NBFCs (non-bank finance companies) and Corporates to improve their capital profile. Perpetual bonds issued by Banks which are governed by the RBI guidelines for Basel III Capital Regulations are referred to as Additional Tier I (AT1 bonds). NBFCs also issue such instruments as per guidelines issued by RBI. There are no regulatory guidelines for issuance of such bonds by Corporates. These instruments do not have a fixed maturity date. These instruments generally have call option after fixed interval from date of issuance. The key risks associated with these instruments are highlighted below:
1. Risk of discretionary cancellation or deferring of servicing of the interest
  2. Risk of write-down or conversion into equity
  3. Risk of instrument not being called by the Issuer
- b) **Other Subordinated Debt Instruments (OSDI)** are issued by Banks and NBFCs. These instruments are also referred to as Tier 2 bonds. These bonds are subordinated to other senior claims of issuing entity. These instruments have a fixed maturity date.

Tier 2 Bonds issued by Banks - under Basel III guidelines of Reserve Bank of India, have a risk of either written off or conversion into common equity, when the Point-Of-Non-Viability trigger is invoked, at the option of the RBI. This clause is not there in the case of NBFCs.

**Q. Conflict of Interest disclosure**

**Purchases and Sale of Investments**

The Investment Manager manages funds for several PMS strategies and multiple AIFs. Although the investment objective and underlying papers are typically different from strategy to strategy, there could be occasional situations where an identified investment opportunity is common for various strategies. Typically, in such cases, the orders are placed simultaneously for all the strategies subject to availability of cash and limits. At the execution level, the orders are assigned to the dealing team who in turn process it autonomously without assigning priorities to any fund. Such situations are very rare as regards High Yield predominantly invests in debt papers and its allocation to equity and hybrid instruments is quite minimal when compared to the firm's overall AUM.

**Investments in Associate Companies**

Such transactions will always be at arm's length. The pricing and conditions will be market-driven. Specific approvals

from clients would be taken for initiating such investments and appropriate disclosures would be made periodically as per regulations.

#### **Purchases from / Sales to Associate Companies including Sundaram Alternates PMS clients.**

From time to time, each of the Sundaram Alternates PMS strategy may engage in secondary market Investment purchases / sales with Associate companies and / or Other PMS / AIFs managed by Sundaram Alternates. The intent behind these transactions is to obtain the required bonds / fixed income instruments in odd lots and / or sell the identified bonds / fixed income instruments in odd lots. As most of the papers that the strategy invests and holds are relatively illiquid and don't have a ready market, the Portfolio Manager will value the security as per the Valuation Guidelines prescribed by SEBI and / or Association of Portfolio Managers in India (APMI).

#### **R. Risk factors associated with unlisted securities – applicable for large value accredited investors:**

The Portfolio Manager may invest in unlisted debt and / or money market Securities. This may expose the individual securities of Client's Portfolio or sizable part of the portfolio of the client to illiquidity risks. Due to scarce demand, the Portfolio Manager may not be in a position to liquidate these unlisted securities during their tenor in the secondary market and may have to solely rely on the issuer of the securities to liquidate them on their maturity date or on their Put/Call date. Even if there is rare a buying interest in the over the counter (OTC) secondary market, the realizable price of the unlisted security is likely to be at a discount compared to a listed security of same or similar maturity issued by the same or similar issuer carrying the same level of credit risk. In addition to the illiquidity risk and price risk, unlisted securities are also inherently prone to governance risk as the transparency levels are low due to lack of disclosure requirements like that of a listed security. Unlisted securities also carry Valuation Risk on an ongoing basis as the fair valuation norms require applying illiquidity discount to such securities compared to a listed security having same or similar maturity and credit risk.

#### **S. Risk Factors - Securitized Debt / Pass Through Certificates**

The Strategy proposes investing in securitized debt instruments such as asset backed securities (ABS) and mortgage-backed securities (ABS) which are generally in the form of Pass-Through Certificates (PTC). The investments in domestic securitized debt will be made only after giving due consideration to factors such as but not limited to the securitization structure, quality of underlying receivables, credentials of the servicing agent, level of credit enhancement, liquidity factor, returns provided by the securitized paper vis-a-vis other comparable investment alternatives.

A securitization transaction involves the sale of receivables by the originator (a bank, non-banking finance company, housing finance company, or a manufacturing/service company) to a Special Purpose Vehicle (SPV), typically set up in the form of a trust. Investors are issued rated Pass-Through Certificates (PTCs), the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling his loan receivables to an SPV, receives consideration from investors much before the maturity of the underlying loans. Investors are paid from the collections of the underlying loans from borrowers. Typically, the transaction is provided with a limited amount of credit enhancement as stipulated by the rating agency for a target (rating), which provides protection to investors against defaults by the underlying borrowers.

Although the returns provided by securitized debt could be higher, risks also exist regarding investments in securitized debt.

Investments in pass-through certificates of a securitization transaction represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the issuer or the seller, or the parent of the seller, or any affiliate of the seller or the issuer or the trustee in its personal capacity, save to the extent of credit enhancement to be provided by the credit enhancer.

The securitization trust's principal asset will be the pool of underlying receivables. The ability of the trust to meet its obligations will be dependent on the receipt and transfer to the designated account of collections made by the servicing agent from the pool, the amount available in the cash collateral account, and any other amounts received by the trust pursuant to the terms of the transaction documents. However, the credit enhancement stipulated in a securitization transaction represents a limited loss cover only.

Delinquencies and credit losses may cause depletion of the amount available under the cash collateral account and thereby the scheduled payouts to the investors may get affected if the amount available in the cash collateral account is not enough to cover the shortfall.

Some of the risk factors typically analyzed for any securitization transaction are as follows:

- **Risks associated with underlying assets:**

Underlying assets in securitized debt may assume different forms and the general types of receivables include repayment of following type of pool of loans such as commercial vehicle loans, two-wheeler loans, car loans, credit card loans, home loans or single corporate loan. Credit risks relating to these types of receivables depend upon various factors including macroeconomic factors of these industries and economies. Specific factors like nature and adequacy of collateral securing these receivables, adequacy of documentation in case of auto finance and home loans and intentions and credit profile of the borrower influence the risks relating to the asset borrowings underlying the securitized debt.

- **Risks associated with pool characteristics:**

- (a) Size of the loan: This generally indicates the kind of assets financed with loans. While a pool of loan assets comprising of smaller individual loans provides diversification, if there is excessive reliance on very small ticket size, it may result in difficult and costly recoveries.
- (b) Loan to Value Ratio: This indicates how much percentage value of the asset is financed by borrower's own equity.  
The lower LTV, the better it is. This ratio stems from the principle that where the borrower's own contribution of the asset cost is high, the chances of default are lower. To illustrate for a Truck costing Rs. 20 lakhs, if the borrower has himself contributed Rs.10 lakh and has taken only Rs. 10 lakhs as a loan, he is going to have lesser propensity to default as he would lose an asset worth Rs. 20 lakhs if he defaults on repaying an installment. This is as against a borrower who may meet only Rs. 2 lakhs out of his own equity for a truck costing Rs. 20 lakhs. Between the two scenarios given above, the latter would have a higher risk of default than the former.
- (c) Original maturity of loans and average seasoning of the pool: Original maturity indicates the original repayment period and whether the loan tenors are in line with industry averages and borrower's repayment capacity. Average seasoning indicates whether borrowers have already displayed repayment discipline. To illustrate, in the case of a personal loan, if a pool of assets consists of those who have already repaid 80% of the instalments without default, this certainly is a superior asset pool than one where only 10% of instalments have been paid. In the former case, the portfolio has already demonstrated that the repayment discipline is far higher.
- (d) Default rate distribution: This indicates how much % of the pool and overall portfolio of the originator is current, how much is in 0-30 DPD (days past due), 30-60 DPD, 60-90 DPD and so on. The rationale here is obvious, as against 0-30 DPD, the 60-90 DPD is certainly a higher risk category.

- **Credit Rating and Adequacy of Credit Enhancement:**

Unlike in plain vanilla instruments, in securitization transactions, it is possible to work towards a target credit rating, which could be much higher than the originator's own credit rating. This is possible through a mechanism called "Credit enhancement". The process of "Credit enhancement" is fulfilled by filtering the underlying asset classes and applying selection criteria, which further diminishes the risks inherent for a particular asset class. The purpose of credit enhancement is to ensure timely payment to the investors, if the actual collection from the pool of receivables for a given period is short of the contractual payout on securitization.

Securitization is normally a non-recourse instrument and therefore, the repayment on securitization would have to come from the underlying assets and the credit enhancement. Therefore, the rating criteria centrally focus on the quality of the underlying assets. The Strategy will predominantly invest in those securitization issuances which have adequate level of safety from credit risk point of view at the time of making an investment. However, there is no assurance by the rating agency either that the rating will remain at the same level for any given period or that the rating will not be lowered or withdrawn entirely by the rating agency.

- **Limited Liquidity & Price Risk:**

Presently, the secondary market for securitized papers is not very liquid even if the instruments are listed. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.

- **Limited Recourse to Originator & Delinquency:**

Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The credit enhancement stipulated represents a limited loss cover to the investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the seller or the originator, or the parent or any affiliate of the seller, issuer, or originator. No financial recourse is available to the Certificate Holders against the Investors Representative. Delinquencies and credit losses may cause depletion of the amount available under the credit enhancement and thereby the investor pay outs may be affected if the amount available in the credit enhancement facility is not enough to cover the shortfall. On persistent default of an obligor to repay his obligation, the servicer may repossess and sell the underlying Asset. However, many factors may affect, delay, or prevent the repossession of such assets or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such asset may be sold may be lower than the amount due from that Obligor.

- **Risks due to possible prepayments:**

Asset securitization is a process whereby commercial or consumer or corporate credits are packaged and sold in the form of financial instruments Full prepayment of underlying loan contract may arise under any of the following circumstances:

- a. Obligor pays the receivable due from him at any time prior to the scheduled maturity date of that receivable; or
- b. Receivable is required to be repurchased by the seller consequent to its inability to rectify a material

misrepresentation with respect to that Receivable, or

- c. The servicer recognizes a contract as a defaulted contract and hence repossessing the underlying asset and selling the same.

In the event of prepayments by obligors due to reasons including the ones mentioned above investors may be exposed to changes in tenor and yield of their original investment and may face the risk of reinvesting the proceeds from the prepayment at a lower yield.

- **Bankruptcy of the Originator or Seller:**

If originator becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from originator to trust was not a sale, then an Investor could experience losses or delays in the payments due. All possible care is generally taken in structuring the transaction to minimize the risk of the sale to Trust not being construed as a 'True Sale'. Legal opinion is normally obtained to the effect that the assignment of Receivables to Trust in trust for and for the benefit of the Investors, as envisaged herein, would constitute a true sale.

- **Bankruptcy of the Investor's Agent:**

If Investor's agent becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the recourse of Investor's Agent to the assets/receivables is not in its capacity as agent/Trustee but in its personal capacity, then an Investor could experience losses or delays in the payments due under the agreement. All possible care is normally taken in structuring the transaction and drafting the underlying documents to provide that the assets/receivables when held by Investor's Agent is held as agent and in Trust for the Investors and shall not form part of the personal assets of Investor's Agent. Legal opinion is normally obtained to the effect that the Investors Agent's recourse to assets/ receivables is restricted in its capacity as agent and trustee and not in its personal capacity.

- **Risk of co-mingling:**

The servicers normally deposit all payments received from the obligors into the collection account. However, there could be a time gap between collection by a servicer and depositing the same into the collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the loan agreements may not be segregated from other funds of the servicer. If the servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss. Due care is normally taken to ensure that the Servicer enjoys the adequate credit rating on standalone basis to minimize co-mingling risk.

- **Risks relating to tax incidence on securitization:**

Income tax authorities may raise a claim on certain securitization SPVs, stating that the gross income of such SPVs is liable to tax which could result in dilution of pay-outs to investors.

## T. **Know Your Customer (KYC)**

SEBI has issued detailed guidelines on 18/01/2006 and measures for Prevention Money Laundering and had notified SEBI (KYC Registration agency) Regulations, 2011 on December 02, 2011 with a view to bring uniformity in KYC Requirements for the securities market and to develop a mechanism for centralization of the KYC records. SEBI has also issued circulars from time to time on KYC compliance and maintenance of documentation pertaining to investors of Portfolio Management Services (PMS).

Accordingly, the following procedures shall apply:

- KYC acknowledgement is mandatory for all investors.
- An application without acknowledgement of KYC compliance will be rejected
- New Investors are required to submit a copy of Income Tax PAN card, address proof and other requisite documents along with the KYC application form to any of the intermediaries to complete KYC.
- The Portfolio Manager shall perform initial KYC of its new investors and send the application form along with the supporting documents to the KYC Registration Agency (KRA).
- During the KYC process, the Portfolio Manager will also conduct In Person Verification (IPV) in respect of its new investors.
- Investors are required to complete KYC process only once to enable them to invest in PMS.
- Existing Investors, who have already complied with the KYC requirements, can continue to invest as per the current practice.

In case of Non Individuals, KYC needs to be done afresh due to significant and major changes in KYC requirements by using "KYC application form" available for Non-Individuals. Additional details like Nationality, Gross Annual Income or Net worth as on recent date, Politically exposed Person and Non Individuals providing specific services have to be provided in additional KYC details form.

### **Risk Profile of the Client**

Client shall complete the risk profile section furnished in the PMS application form which interalia includes investment experience of the client, overall investment goals, risk tolerance and clients preferred asset allocation.

## Central KYC

Central KYC Registry is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector with an objective to reduce the burden of producing KYC documents and getting those verified every time when the customer creates a new relationship with a financial entity. KYC means the due diligence procedure prescribed by the Regulator for identifying and verifying the proof of address, proof of identity and compliance with rules regulations, guidelines and circulars issued by the Regulators or Statutory authorities under the Prevention of Money Laundering Act, 2002.

The Central Govt. vide notification dt. Nov, 26, 2015 has authorised Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) to act as and to perform the functions of the CKYC Registry including receiving, storing, safeguarding and retrieving the KYC records in digital form of a Client. A 14 digit CKYC identification Number (KIN) would be issued as identifier of each client.

As per PMLA (Maintenance of Records) Amendment Rules, 2015, Rule 9(IA), every reporting entity shall within three days after the commencement of an account based relationship with an individual, file the electronic copy of the client's KYC records with the Central KYC Registry. Institutions need to upload the common KYC template along with the scanned copy of the certified supporting documents (PoI/PoA), cropped signature and photograph.

Since the records are stored digitally, it helps institutions de-duplicate data so that they don't need to do KYC of customers multiple times. It helps institutions find out if the client is KYC compliant based on Aadhaar, PAN and other identity proofs. If the KYC details are updated on this platform by one entity, all other institutions get a real time update. Thus, the platform helps firms cut down costs substantially by avoiding multiplicity of registration and data upkeep.

Please note that PAN is mandatory for investing in PMS. If CKYC is done without submission of PAN, then he/she will have to submit a duly self-certified copy of the PAN card along with KIN.

First time investing Financial Sector (New investor) New to KRA-KYC: While on boarding investors who are new to the PMS & do not have KYC registered as per existing KRA norms, such investors should fill up CKYC form. This new KYC form is in line with CKYC form guidelines and requirements and would help to capture all information needed for CKYC as well mandatory requirements for PMS. Investors should submit the duly filled form along with supporting documents, particularly, self-certified copy of the PAN Card as a mandatory identity proof. If prospective investor submits old KRA KYC form, which does not have all information needed for registration with CKYC, such customer should either submit the information in the supplementary CKYC form or fill the CKYC form.

Investors who have obtained the KIN through any other financial intermediary, shall provide the 14 digit number for validation and updating the KYC record.

### Ultimate Beneficial Owner:

Pursuant to SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 on Anti Money Laundering Standards and to Guidelines on identification of Beneficial Ownership issued vide SEBI Master circular no. SEBI /HO /MIRSD /MIRSDSECFATF /P/ CIR/ 2024/ 78 dated June 06, 2024, investors (other than Individuals) are required to provide details of Ultimate Beneficial Owner(s) ('UBO'). The Ultimate Beneficial Owner means 'Natural Person', who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest of / entitlements to:

- i. More than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. More than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- iv. In case of a Trust, the settler of the trust, the trustees, the protector, the beneficiaries with 10% or more of interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership is considered as the UBO.

The provisions w.r.t. Identification of UBO are not applicable to the investor or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a listed company.

If you are classified as a passive Non-Financial Foreign Entity (NFFE) for FATCA purposes, while completing the "Declaration for Ultimate beneficial Ownership (UBO)" form please provide details of all the person(s) (excluding those having tax residency in India) having controlling interest in your entity in the "foreign country information" column along with Country of birth, Country of citizenship / Nationality, Country of Tax Residency and Foreign Tax Reference Number for FATCA purposes.

## 7. Nature of expenses

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

Expense	Purpose
Portfolio Management fees	Fee relates to the portfolio management services offered and provided to the Clients. The fee may be fixed or performance based or a combination of both as detailed in the Portfolio Management Agreement.
Communication charges	Charges related to custody and transfer of shares, bonds and units and/any other charges in respect of the investment.
Depository/Custodian fee	Charges relating to opening and operation of demat account, dematerialisation, rematerialisation etc.
Registrar and transfer agent fee	Fee payable to R&T agents for effecting transfers of all or any of the securities and bonds including stamp duty, cost of affidavits, notary charges, postage stamps and Courier charges.
Brokerage and transaction costs	Brokerage, transaction costs and statutory levies such as service tax, securities transaction tax, turnover fees and such other levies imposed from time to time.
Fee and charges in respect of investment in Mutual Funds	Recovery of any management fee and other incidental expenses such as fees and charges shall be paid to the AMC of the Mutual Fund on behalf of the Client. Such charges are in addition to the fee as described above.
Certification / Professional charges	Charges payable to outsourced professional services like accounting, taxation and any legal services etc.
Securities lending and borrowing	Charges pertaining to lending of securities, costs of borrowing, transfer of securities connected with such operation etc.
Other ancillary/incidental charges	All other charges not recovered above but incurred by the Portfolio Manager on behalf of the Client shall be charged to the Client

*Note: Fee charged to the Client for PMS services by the Portfolio Manager comes under the ambit of "fees for technical services" under Section 393(1) of the Income Tax Act, 2025. Hence the Individuals, HUF and Corporate Clients who are covered by the said section will have to deduct Tax at Source at the applicable rates and remit the deducted tax in accordance with Section 393(1). The fees charged by the Portfolio Manager can be a fixed fee or a return based fee or a combination of both as mutually agreed upon between the Client and the Portfolio Manager from time to time. Pursuant to SEBI Cir./IMD/DF/13/2010 dated October 05, 2010 for charging of performance/profit sharing fee, high water mark principle will be followed.*

**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. For the purpose of charging performance fee, the frequency shall not be less than quarterly. The portfolio manager shall charge performance based fee only on increase in portfolio value in excess of the previously achieved high water mark.

**Custodian/Depository Participant/Portfolio Accounting:** The Portfolio Manager shall appoint SEBI registered Custodians and Depository Participants from time to time based on their services/offers, for the purpose of operating the clients' demat and/or bank accounts. The fees and other charges levied to the clients are subject to actuals as charged by the respective Custodians and DPs. The Portfolio Manager undertakes to maintain Books and records separately in the name of the clients and in accordance with the accounting standards and policies as applicable.

### Quantum of Fee

Management Fee (Accrued Daily Billed Monthly)	Upto 5% per annum on client's average daily AUM
Operating Expenses	Not exceeding 0.50% per annum of the client's average daily AUM
Other Expenses	At Actuals
Performance Fee, if applicable:	
Hurdle Rate (High water mark level)	Up to 15%
Performance Fee	Up to 25% of profit over hurdle rate
Exit Charges (FIFO Method):	
Before 12 months from date of investment	Up to 3% on the amount redeemed
From 13th months to 24th month	Upto 2% on the amount redeemed
From 25th month to 36th month	Upto 1% on the amount redeemed

For co-investment portfolio management services and in the case of large value accredited investors, the quantum and manner of exit load applicable shall be governed through bilaterally negotiated contractual terms and the exit charges mentioned above which is as per provisions of paragraph 6.1.4 of the SEBI Master Circular dated 07th June 2024 shall not be applicable.

## 8. Taxation

### A. General

The following information is based on the tax laws in force in India as of the date of this Disclosure Document and reflects the Portfolio Manager's understanding of applicable provisions. The tax implications for each Client may vary significantly based on residential status and individual circumstances. As the information provided is generic in nature, Clients are advised to seek guidance from their own tax advisors or consultants regarding the tax treatment of their income, losses, and expenses related to investments in the portfolio management services. The Client is responsible for meeting advance tax obligations as per applicable laws.

### B. Tax deducted at source

In the case of resident clients, income arising by way of dividend, interest on securities, income from units of mutual funds, and other investment income earned in India is subject to the provisions relating to tax deduction at source (TDS) under the Income-tax Act, 2025 (IT Act), as applicable. Residents not furnishing a valid Permanent Account Number (PAN) may be subject to deduction of tax at a higher rate in accordance with the applicable provisions of the Act.

In the case of non-residents, any income received, accrued, arisen, or deemed to be received, accrued, or arisen in India is subject to applicable withholding tax provisions under the Income-tax Act. Further, if any tax is required to be withheld pursuant to any amendment in applicable law or regulatory requirement, the Portfolio Manager shall comply with such requirements accordingly. Non-residents not furnishing a valid PAN or Tax Residency Certificate (TRC), where applicable, may be subject to withholding tax at higher rates as prescribed under the Act.

Higher withholding tax provisions relating to non-availability of PAN and other applicable provisions under the Income-tax Act shall continue to apply, wherever relevant.

### C. Long term capital gains

Where investments under the Portfolio Management Services (PMS) are treated as investments/capital assets, any gain or loss arising on the transfer of securities shall be chargeable to tax under the head "Capital Gains" in accordance with the provisions relating to capital gains under the ITA, as applicable. The characterization of gains or losses as short-term or long-term capital gains shall depend upon the period of holding and the nature of the securities transferred, as prescribed under the applicable provisions of the Act.

#### Period of Holding

The details of period of holding for different capital assets for the purpose of determining long term or short term capital gains are explained hereunder:

Securities	Period of Holding	Characterization
Listed Securities (other than unit) and unit of equity oriented mutual funds, unit of UTI, zero coupon bonds	More than twelve (12) months	Long-term capital asset
	Twelve (12) months or less	Short-term capital asset
Unlisted shares of a company	More than twenty-four (24) months	Long-term capital asset
	Twenty-four (24) or less	Short-term capital asset
Other Securities (other than Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023 or unlisted bond or unlisted debenture)	More than twenty-four (24) months	Long-term capital asset
	Twenty-four (24) or less	Short-term capital asset
Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023	Any period	Short-term capital asset
Unlisted bond or unlisted debenture		Long-term capital asset
	Any period	Short-term capital asset

## Definition of Specified Mutual Fund:

**“Specified Mutual Fund” means, –**

- (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent. of its total proceeds in debt and money market instruments; or
- (b) a fund which invests sixty-five per cent. or more of its total proceeds in units of a fund referred to in sub-clause (a).

- **Definition of debt and money market instruments:**

**“debt and money market instruments”** shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.

- **Definition of Market Linked Debenture:**

**“Market Linked Debenture”** means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to the market returns on other underlying securities or indices, and includes any security classified or regulated as a market linked debenture by SEBI.

- **For listed equity shares in a domestic company or units of equity oriented fund or business trust**

As per section 198 of the IT Act, long-term capital gains arising on transfer of listed equity shares, units of an equity-oriented fund or units of a business trust exceeding INR 1.25 lakh shall be taxable at the rate of 12.5% (plus applicable surcharge and cess), subject to fulfilment of the prescribed conditions.

Further, to avail such concessional rate of tax, STT should also have been paid on acquisition of listed equity shares, unless the listed equity shares have been acquired through any of the notified modes not requiring to fulfil the pre-condition of chargeability to STT.

Long term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, is also taxed at a rate of 12.5%. This benefit is available to all assessees.

The long term capital gains arising from the transfer of such Securities shall be calculated without indexation.

In computing long term capital gains, the cost of acquisition (COA) is an item of deduction from the sale consideration of the shares.

To provide relief on gains already accrued upto 31 January 2018, a mechanism has been provided to “step up” the COA of Securities. Under this mechanism, COA is substituted with FMV, where sale consideration is higher than the FMV. Where sale value is higher than the COA but not higher than the FMV, the sale value is deemed as the COA.

The CBDT has clarified that 10% withholding tax will be applicable only on dividend income distributed by mutual funds and not on gain arising out of redemption of units.

No deduction under Chapter VIII or rebated under Section 156 will be allowed from the above long term capital gains.

- **For other capital assets (securities and units) in the hands of resident of India**

Long-term capital gains in respect of capital asset (all securities and units other than listed shares and units of equity oriented mutual funds and business trust) is chargeable to tax at the rate of 12.5% plus applicable surcharge and education cess, as applicable.

The capital gains are computed after taking into account cost of acquisition as adjusted by cost inflation index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. No indexation benefit will be available.

In case of long term capital gains arising on sale of shares or units acquired originally as unlisted shares/units upto 31 January 2018, COA is substituted with the “indexed COA” (instead of FMV) where sale consideration is higher than the indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA.

This benefit is available only in the case where the shares or units, not listed on a recognised stock exchange as on the 31 January 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31 January 2018 by way of transaction not regarded as transfer under section 70 (e.g. amalgamation, demerger), but listed on such exchange subsequent to the date of transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer.

The base year for indexation purpose is 2001 to calculate the cost of acquisition or to take Fair Market Value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as Fair Market Value as on 1 April 2001.

- **For capital assets in the hands of Foreign Portfolio Investors (FPIs)**

Long-term capital gains arising to Foreign Portfolio Investors (“FPIs”) as per section 210 of the IT Act from transfer of capital assets, including debt securities, are generally taxable at the rate of 12.5% under the applicable provisions of the Income-tax Act, without benefit of indexation and foreign currency computation/reconversion under the first proviso to section 72 of the Income-tax Act.

Further, long-term capital gains arising from transfer of listed equity shares, units of equity-oriented funds or units of a business trust, subject to satisfaction of applicable conditions including payment of Securities Transaction Tax (“STT”), exceeding INR 1.25 lakh are taxable at 12.5%. Taxability would be subject to applicable provisions of the Income-tax Act, relevant rules and available tax treaty benefits, if any.

- **For other capital asset in the hands of non-resident Indians**

Under section 214 of the IT Act, any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 212 (specified assets include shares of Indian company, debentures and deposits in an Indian company which is not a private company and Securities issued by Central Government or such other Securities as notified by Central Government) is chargeable at the rate of 20%.

Income by way long-term capital gains of the specified asset is, however, chargeable at the rate of 12.5% plus applicable surcharge and cess (without benefit of indexation and foreign currency fluctuation). Taxability would be subject to applicable provisions of the Income-tax Act, relevant rules and available tax treaty benefits, if any.

#### **D. Short term capital gains**

Section 196 of the IT Act provides that short-term capital gains arising on sale of listed equity shares of a company or units of equity oriented fund or units of a business trust are chargeable to income tax at a concessional rate of 20% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to Securities Transaction Tax (STT). However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 72 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Short term capital gains in respect of other capital assets (other than listed equity shares of a company or units of equity oriented fund or units of a business trust) are chargeable to tax at rate in force.

The Specified Mutual Funds or Market Linked Debentures acquired on or after 1 April 2023 will be treated as short term capital asset irrespective of period of holding as per Section 76 of the IT Act.

#### **E. Profits and gains of business or profession**

If the Securities under the portfolio management services are regarded as business/trading asset, then any gain/loss arising from sale of such Securities would be taxed under the head “Profits and Gains of Business or Profession” under section 26 of the IT Act. The gain/ loss is to be computed under the head “Profits and Gains of Business or Profession” after allowing normal business expenses (inclusive of the expenses incurred on transfer) according to the provisions of the IT Act.

Interest income arising on Securities could be characterized as ‘Income from other sources’ or ‘business income’ depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the IT Act.

#### **F. Losses under the head capital gains/business income**

As per the provisions of the IT Act, any loss incurred under the head ‘Capital Gains’ cannot be set off against other income (such as business income / IFOS). Further, a long-term capital loss can be set off against taxable long-term capital gain only but short-term capital loss is eligible to be set off against long-term as well as short-term capital gains. Any unabsorbed capital losses may be carried forward for eight years to be set off against income from ‘Capital gains’ only.

Similarly, any loss incurred under the head ‘Income from Business or profession’ can be set-off against capital gains and other heads of income (except salaries). Unabsorbed business losses, can be carried forward to be set off against business income in the following eight tax years, provided the return for the year of loss is filed on or before the due date.

#### **G. General Anti Avoidance Rules (GAAR)**

GAAR may be invoked by the Indian income-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 4 (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 IT Act;
- 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 recharacterize 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; or
- Recharacterising equity into debt, capital into revenue, etc.

The GAAR provisions would override the provisions of a 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 Rules 128 to 130 of the Income-tax Rules, 2026. The Income-tax Rules, 2026 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.

#### **H. FATCA Guidelines**

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), foreign financial institutions in India are required to report tax information about US account holders and other account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 166 for every calendar year by 31 May. The reporting financial institution is expected to maintain and report the following information with respect to each reportable account: <sup>9</sup>

- (a) the name, address, taxpayer identification number and date and place of birth;
- (b) where an entity has one or more controlling persons that are reportable persons:
  - (i) the name and address of the entity, TIN assigned to the entity by the country of its residence; and
  - (ii) the name, address, date of birth, place of birth of each such controlling person and TIN assigned to such controlling person by the country of his residence.
- (c) account number (or functional equivalent in the absence of an account number);
- (d) account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year; and
- (e) the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

Further, it also provides for specific guidelines for conducting due diligence of reportable accounts, viz. US reportable accounts and other reportable accounts (i.e. under CRS).

#### **I. Goods and Services Tax on services provided by the portfolio manager**

Goods and Services Tax (GST) will be applicable on services provided by the Portfolio Manager to its Clients. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards portfolio management fee.

J. The following are the tax provisions applicable to Clients investing through Portfolio Management Services as per the prevailing tax laws:

**1. Dividend declared**, distributed or paid by the Domestic Companies to its shareholders are taxable in the hands of the investors at their normal tax slabs. The Domestic Companies are not liable to pay dividend distribution tax. However, in case of Resident investors, Tax will be deducted at source (TDS) @ 10% on the dividend payout under section 393(1) [SI No 8] of Income Tax Act 2025 ('ITA') . In case of NRI investors, TDS will be deducted at rates in force under Section 393(2) [SI No 17] of ITA subject to DTAA benefits, if any. In case of domestic companies which have declared dividend and are also in receipt of the dividend from another domestic company, a deduction is allowed with respect to the dividend received or the amount distributed as dividend one month prior to the due date of filing return whichever is less under section 148 ITA.

**2. Any income distributed or paid by domestic mutual funds** to its unitholders are also taxable in the hands of the investors at their normal tax slabs. However, tax will be deducted at source from the dividend payouts as under:

Type of the Investor	Withholding tax	Section
Resident	10% (on income exceeding Rs 10,000)	393(1) [SI No 4]
Non-Resident Indian	20% or rate as per applicable tax treaty (whichever is lower)**	393 (2) [SI No 10]

### 3. Capital Gains Taxation

	Individual/HUF \$	Domestic Company @	NRI \$
Long Term Capital gain ((Shares / Units held for more than 12 months)	12.5%	12.5%	12.5%
Short Term Capital Gains (Shares / Units held for 12 months or less)	20%	20%	20%
<b>Other than Specified Mutual Fund &amp; other than Equity Oriented Schemes (funds investing more than 35% &amp; less than 65% of its total proceeds in the equity shares of domestic companies)</b>			
Long Term Capital gain ((Units held for more than 24 months)	12.5%	12.5%	12.5%
Short Term Capital Gains (Units held for 24 months or less)	30%^	30%^/25%^/22%^/15%^	30%^
<b>Specified Mutual Fund Other Than Equity Oriented Schemes \$\$</b>			
Short Term Capital Gains	30%^	30%^/25%^/22%^/15%^	30%^
<b>Tax Deducted at Source (Applicable only to NRI Investors #)</b>			
		Short term capital gains \$	Long term capital gains \$
Equity Shares / Equity Oriented Scheme		20%	12.5%
Other than Specified Mutual Fund & other than Equity Oriented Schemes (funds investing more than 35% & less than 65% of its total proceeds in the equity shares of domestic companies)		30%^	12.5%
Specified Mutual Fund Other Than Equity Oriented Schemes \$\$		30%^	

Note: Indexation benefit on Long Term capital gain has been removed for transfers made after 23rd July 2024.

\* Income-tax at the rate of 12.5% (without indexation benefit and foreign exchange fluctuation) to be levied on long-term capital gains exceeding Rs. 1,25,000 provided transfer of such units is subject to Securities Transaction Tax ('STT'). Further, for Shares / Units acquired before the 1st day of February, 2018 the cost of acquisition to compute long-term capital gains is to be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer.

\$ **Surcharge to be levied at:** • 37% on base tax where specified income\*\* exceeds Rs. 5 crore; • 25% where specified income\*\* exceeds Rs. 2 crore but does not exceed Rs. 5 crore; • 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and • 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore. In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%. In case investor is opting for 'New Regime' the rate of surcharge not to exceed 25%.

\*\* **Specified income** – Total income excluding income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes. Further, Health and Education Cess to be levied at the rate of 4% on aggregate of base tax and surcharge.

\$\$ Gains arising on transfer, redemption or maturity of specified mutual funds acquired on or after 1 April 2023 will deemed to be 'short-term capital gains' (regardless of the period of holding). Further Unlisted Debentures and Unlisted Bonds which are transferred or redeemed or matures on or after the 23rd day of July, 2024 shall be deemed to be 'short-term capital gains' (regardless of the period of holding)

Specified mutual fund means a mutual fund by whatever name called, (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent of its total proceeds in debt and money market instruments; or (b) a fund which invests sixty-five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a):

@ Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds ` 1 crore but less than ` 10 crores and at the rate of 12%, where income exceeds ` 10 crores. However, Surcharge at flat rate of 10 percent on base tax is applicable for the companies opting for lower rate of tax of 22%/15%.

# Short term/ long term capital gain tax (along with applicable Surcharge and "Health and Education Cess") will be deducted at the time of redemption/switches of Shares / Units in case of NRI investors only. Tax treaty benefit can be claimed for withholding tax on capital gains subject to fulfillment of stipulated conditions.

## The base year for indexation purpose is 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

^ Assuming the investor falls into highest tax bracket.

^^ This rate applies to companies other than companies engaged in manufacturing business who are taxed at lower rate subject to fulfillment of certain conditions.

^^^ If total turnover or gross receipts during the financial year 2023-24 does not exceed ` 400 crores.

^^^^ This lower rate is optional and subject to fulfillment of certain conditions as provided in section 200 of ITA.

^^^^^ This lower rate is optional for companies engaged in manufacturing business (set-up & registered on or after 1 October 2019) subject to fulfillment of certain conditions as provided in section 201 of ITA.

+ Securities Transaction Tax ( STT ) will be deducted on equity-oriented funds at the time of redemption / switch to other schemes / sale of units.

Further, Minimum Alternate Tax (MAT) applicable to domestic companies (except for those who opt for lower rate of tax of 22%/15%) are not considered in the above tax rates.

### **Dividend stripping**

According to the provisions of Section 175(8) of ITA, the loss arising out of sale of securities/units in the schemes (where dividend is tax free) will not be available for set off to the extent of the tax free dividend declared; if securities/units are:  
(A) bought within three months prior to the record date fixed for dividend declaration; and  
(B) sold within three months (securities) / nine months (Units) after the record date fixed for dividend declaration.

### **Bonus Stripping:**

The loss due to sale of original securities , where bonus units are issued, will not be available for set off; if original securities are:

- (A) bought within three months prior to the record date fixed for allotment of bonus ; and
- (B) sold within nine months after the record date fixed for allotment of bonus securities. However, the amount of loss so ignored shall be deemed to be the cost of purchase or acquisition of such unsold bonus securities

#### 4. Tax rates applicable to individuals & HUF: FY 2026-27 (as per old tax regime)

There are 2 options for computation of income and tax payable. The tax payers need to select any of the following options at the time of filing of return of income.

##### Option A - Existing regime with tax exemptions and deductions

For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial juridical persons

Total Income	Tax Rates
Up to ₹ 250,000 <sup>(a) (b)</sup>	NIL
₹ 250,001 to ₹ 500,000 <sup>(d) (e)</sup>	5%
₹ 500,001 to ₹ 1,000,000 <sup>(d)</sup>	20%
₹ 1,000,001 and above <sup>(c) (d)</sup>	30%

(a) In the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is ₹ 300,000.

(b) In case of a resident individual of age of 80 years or above, the basic exemption limit is ₹ 500,000.

(c) Surcharge to be levied at:

- 37% on base tax where specified income exceeds ₹ 5 crore;
- 25% where specified income\*\* exceeds ₹ 2 crore but does not exceed ₹ 5 crore;
- 15% where total income\*\* exceeds ₹ 1 crore but does not exceed ₹ 2 crore; and
- 10% where total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.

In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%.

\*\* Specified income – Total income excluding income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes.

(d) Health and Education cess @ 4% on aggregate of base tax and surcharge.

(e) Individuals having total income not exceeding ₹ 500,000 can avail rebate of lower of actual tax liability or ₹ 12,500.

##### Option B - New Tax regime –without tax exemptions and deductions (as per section 202 of ITA)

For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial juridical persons

Total Income	Tax Rates
Up to 4,00,000 <sup>(b)</sup>	Nil
From 4,00,001 to 8,00,000 <sup>(d) (e)</sup>	5%
From 8,00,001 to 12,00,000 <sup>(d)</sup>	10%
From 12,00,001 to 16,00,000 <sup>(d)</sup>	15%
From 16,00,001 to 20,00,000	20%
From 20,00,001 to 24,00,000	25%
Above 24,00,000 <sup>(c) (d)</sup>	30%

a) For adopting New Regime, most of the deductions/exemptions such as most of deductions/exemptions such as LTA Section 11 Schedule III [SI No 8] , Section 11 Schedule III [SI No 11] of ITA , sections 123/126 of ITA etc. are to be forgone. However, standard deduction of Rs. 75,000 against salary income is proposed to be allowed under New Regime. The aforesaid regime is optional. Accordingly, persons as mentioned above have the option to be taxed under either of the options. New Regime once exercised can be changed in subsequent years (not applicable for business income).

b) Resident individuals having total income not exceeding Rs. 12,00,000 can avail rebate of 60,000 or actual tax liability whichever is lower.

c) Rate of surcharge:

- 25% where specified income\* exceeds ₹ 2 crore
- 15% where total income exceeds ₹ 1 crore but does not exceed ₹ 2 crore; and
- 10% where total income exceeds Rs 50 lakhs but does not exceed ₹ 1 crore.

In case of AOP, consisting of only companies as its members, the rate of surcharge not to exceed 15%.

\* Specified income – Total income excluding income by way of dividend on shares and short term capital gains in

case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains.  
**Special rates for non-residents.**

(1) The following incomes in the case of non-resident are taxed at special rates on gross basis:

Transaction	Rates(a)
Dividend	20%
Interest received on loans given in foreign currency to Indian concern or Government of India.	20%
Income received in respect of units purchased in foreign currency of specified Mutual Funds / UTI	20%
Royalty or fees for technical services <sup>(b)</sup>	10%
Interest income from a notified infrastructure debt fund	5%
Interest on FCCB, FCEB / Dividend on GDRs	10%

(a) These rates will further increase by applicable surcharge and health and education cess

(b) In case the non-resident has a Permanent Establishment (PE) in India and the royalty/ fees for technical services paid is effectively connected with such PE, the same could be taxed at 35% (plus applicable surcharge and education cess) on net basis.

(2) Tax on non-resident sportsmen or sports association on specified income @ 20% plus applicable surcharge and health and education cess.

### Indian Companies

The tax treatment of Long Term/Short Term Capital gains derived by companies investing in Portfolio Management Services (PMS) would be the same as detailed above. In case the income from PMS is treated as Business Income, the tax rate applicable would be 22% subject to condition that the company will not avail any exemption/incentive. The effective tax rate for these companies shall be 25.17% inclusive of surcharge & cess.

Clients of co-investment portfolio management services are requested to go through the respective PPM for tax implications. However, the Client is advised to consult his/her/their tax consultant for tax treatment of the nature of income indicated therein.

### Details under FATCA/Foreign Tax Laws

Tax Regulations require us to collect information about each investor's tax residency. If you have any questions about your tax residency, please contact your tax advisor. Foreign Account Tax Compliance provisions (commonly known as FATCA) are contained in the US Hire Act 2010. Applicants (Including joint holders, Guardian, POA holder) are required to refer and mandatorily fill/sign off a separate "FATCA declaration form". Applications without this information /declaration being filled/signed off will be deemed as incomplete and are liable to be rejected. Investors are requested to note that the contents of the information to be provided / declaration in the application form may undergo a change on receipt of communication / guidelines from SEBI.

### Taxation as applicable to debt securities.

#### Whether Income earned from PMS should be taxed as Capital Gains or Business Income

- Under the PMS Plans, buy and sell transactions of securities is conducted in the Demat account of the investors itself and the taxability of each of the securities would be same as if the investments were directly invested by the investors. Accordingly, the logic for classification between business income/capital gains is also based on the same principles. Broadly, the taxation of gains from the sale of securities depends on the characterization of gains. Gains arising from the sale of securities could be characterized either as "capital gains" or as "business income". Traditionally, characterization of exit gains as "business income" or "capital gains" has been a subject of litigation.
- There are various judicial precedents as well as tax authority circular, which provides a guiding principles like volume, frequency, intention, holding period, main object etc. to determine whether income from transactions in securities to be considered as 'Business Income' or a 'Capital Gain'.
- Under a PMS scheme, the principal objective of the Investor is to earn investment income through IM of PMS. The securities hold under PMS are an investment for investors than a stock-in trade. Accordingly, the capital appreciation in the investment should be considered as Capital Gain. The said view is also supported by Pune Tax tribunal decision in case of KRA Holding & Trading and Arihant Patni11 ITA NO. 356/PN/2011 Tax on Income from Capital Gains • As per Section 67 of ITA, any profits or gains arising from the transfer of capital assets are chargeable to income tax under the head 'capital gains'. Section 72 of ITA provides that income chargeable as capital gains would be computed as the difference between the full value of the consideration received or accrued on transfer of the capital asset and the cost of acquisition/ indexed cost of acquisition (as applicable) of such asset and expenditure incurred wholly and exclusively in connection to such transfer. Typically, the computation on transfer of each of the capital asset shall be as follows:

**Particulars**

**Amount (in INR)**

Full value of consideration	XXX
Less: Cost of acquisition / Indexed cost of acquisition (Refer Note below)	(XX)
Less: Expenditure incurred wholly and exclusively in connection with transfer	(XX)
Long-term capital gains / Short-term capital gains	XXX

*Note: Indexation (computing indexed cost of acquisition) is a process by which the cost of acquisition is adjusted against inflationary rise in the value of asset. For this purpose, the Central Government has notified cost inflation index. The benefit of indexation is available only to long-term capital assets (subject to few exceptions like indexation is not available on the bonds and debentures). For computation of indexed cost of acquisition following factors are to be considered:*

- Year of acquisition/improvement
- Year of transfer
- Cost inflation index of the year of acquisition / improvement
- Cost inflation index of the year of transfer

Indexed cost of acquisition is computed with the help of following formula:

$$\frac{\text{Cost of acquisition} \times \text{Cost inflation index of the year of transfer of capital asset}}{\text{Cost inflation index of the year of acquisition}}$$

Indexation benefit is removed for calculation of any long-term capital gains earned on or after 23rd July 2024.

- The tax payable on capital gains would depend on whether the capital gains are considered as long-term or short-term in nature. The gain would be considered as short term or long term, based on the period of holding of the asset/security. Summarised below the period of holdings for the specified assets in which PMS plan is proposed to invest:

Capital Asset	Period of Holding to classify as Long-Term Capital Asset
Securities (like NCDs, Corporate Bonds, Government and PSU Bonds, Government Securities, T- Bills, Zero Coupon Bonds etc.) listed in a recognized stock exchange in India	More than 12 months
Units of debt-oriented mutual funds (listed or unlisted), Commercial Paper, non-notified unlisted Zero Coupon bonds etc.	More than 24 months
Notified Zero Coupon Bonds (listed or unlisted)	More than 12 months

The only exception to above would be the Market linked debentures (MLD's) and units of specified mutual fund acquired on or after 1 April 2023 and unlisted bond or an unlisted debenture which is transferred or redeemed or matures on or after the 23rd day of July, 2024, wherein as per Section 76 of ITA, the gains arrived on transferred of the said instrument shall always be considered as Short-Term Capital Gain (irrespective of the period of holding of the said instruments).

"Market Linked Debenture" means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a market linked debenture by the Securities and Exchange Board of India

"Specified Mutual Fund" means,—

- a Mutual Fund by whatever name called, which invests more than sixty-five per cent of its total proceeds in debt and money market instruments; or
- a fund which invests sixty-five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a)

### Tax Rates – Long-Term Capital Gains and Short-Term Capital Gains

#### Long Term Capital Gain ('LTCG')

- Capital gains arising from transfer of a long term capital asset (other than equity shares, equity oriented mutual funds and units of REITs/InvITS) will be taxable at 12.5%.
- Indexation benefit is removed for calculation of any long-term capital gains earned on or after 23rd July 2024.

Further, capital gains arising from transfer of a long-term capital asset being listed debt security or any unit of UTI or mutual fund (listed) and notified Zero coupon bonds shall be taxable at 12.5%

- In addition to above tax rate applicable surcharge and cess would be applied on the base tax rates.

<sup>2</sup>MLD would mean a security which has an underlying principal component in the form of debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a MLD by SEBI

<sup>3</sup>Debt oriented Mutual fund would be the fund which has less than 35% of its holding in equity shares of Indian companies

### **Short Term Capital Gain ('STCG')**

- Capital gains arising from transfer of short term capital assets (other than equity shares, equity oriented mutual funds and units of REITs/InvITS) are taxed at applicable tax rates i.e. in case of Individuals, HUF, APO/ BOI at slab rates and in case of company, partnership firm and LLP at corporate tax rates specified for respective type of entity.
- In addition to above tax rate applicable surcharge and cess would be applied on the base tax rates.

### **Tax on Other Income (Interest, Dividend, any other income etc.)**

#### **Tax on Interest Income or any other income**

- Interest income would be subject to tax at the applicable rates i.e. in case of Individuals, HUF, APO/ BOI at slab rates and in case of company, partnership firm and LLP at corporate tax rates specified for respective type of entity.
- In addition to above tax rate applicable surcharge and cess would be applied on the base tax rates.

#### **Tax on Dividend Income from Mutual Fund (including debt Mutual Fund, ETF's etc.)**

- Dividend income would be subject to tax at the applicable rates i.e. in case of Individuals, HUF, APO/ BOI at slab rates and in case of company, partnership firm and LLP at rates specified for respective type of entity.
- In addition to above tax rate applicable surcharge and cess would be applied on the base tax rates.

### **Exempt Income of Interest on Bonds, Debentures and Securities under section 11**

- The above rates are general tax rates applicable to respective securities. However, there are few tax saving securities, bonds, debentures etc. on which there is specific exemption provided under section 11 of ITA. Listed below few of them for reference:
  - 1) Interest income or premium on redemption or other payments on notified securities; bonds; annuity certificates; savings and other certificates.
  - 2) Interest income on notified Capital Investment Bonds issued before 1st June 2002. The exemption is available only to Individual and HUF.
  - 3) Interest income on notified Relief Bonds. The exemption is available only to Individual and HUF.
  - 4) Interest income on notified Bonds issued before 1st June 2002. The exemption is available to following persons
    - i) A Non-resident Indian (individual owning the bonds).
    - ii) An Individual (owning the bonds in the form of nominee or survivor of the non-resident Indian).
    - iii) An Individual (bonds have been gifted by the non-resident Indian). Provided Bonds should have been purchased by the non-resident Indian in foreign exchange. Interest and principal are not allowed to be taken out of India.
  - 5) Interest on securities issued by the Department of the Central Bank of Ceylon.
  - 6) Interest received from public sector company in respect of notified bonds/ debenture. The holder of the bonds/ debenture should register his name and holding with the public sector company.
  - 7) Interest on-
    - i) Securities held by the Welfare Commissioner, Bhopal Gas Victims in the Reserve Bank SGL Account no. SL/DH 048.
    - ii) Deposits made for the benefits of the victims of Bhopal Gas Leak Disaster held in such account with the Reserve Bank or notified Public Sector Bank
  - 8) Interest on notified-
    - i) Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999;
    - ii) Deposit certificates issued under the Gold Monetisation Scheme, 2015.
  - 9) Interest income on notified bonds issued by- A local authority; or A State Pooled Finance Entity.

Following table summaries Tax Rates on income of various Instruments:

Please find below summary of tax rates for various capital assets, in which the PMS plans to invest.

Type of Capital Asset	Type Of Income	Period of Holding	Individual	HUF	Company	Trust	Partnership	LLP
NCDs (Listed)	Capital Gains	STCG - less than 12 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 12 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income		Slab Rate	30%	30%	30%	30%	30%
ZCBs (Listed)	Capital Gains	STCG - less than 12 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 12 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Corporate Bonds (Listed)	Capital Gains	STCG - less than 12 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 12 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income		Slab Rate	30%	30%	30%	30%	30%
Government and PSU Bonds (Listed)	Capital Gains	STCG - less than 12 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 12 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income		Slab Rate	30%	30%	30%	30%	30%
Commercial Paper	Capital Gains	STCG - less than 24 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 24 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income		N.A	N.A	N.A	N.A	N.A	N.A
Certificate of Deposits	Interest Income		Slab Rate	30%	30%	30%	30%	30%
Government Securities (listed)	Capital Gains	STCG - less than 12 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 12 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Interest Income		Slab Rate	30%	30%	30%	30%	30%
T-Bill	Capital Gains	STCG - Currently, Govt issues less than 364 days	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
	Interest Income		N.A	N.A	N.A	N.A	N.A	N.A
Temporary Investment in liquid and overnight MFs towards treasury	Capital Gains	STCG - less than 24 Months	STCG - Slab Rate	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%	STCG - 30%
		LTCG - 24 Months or more	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%	LTCG - 12.5%
	Dividend Income		Slab Rate	30%	30%	30%	30%	30%

Notes:

1. In addition to the above tax rates, applicable surcharge and cess as provided in Annexure 1 shall be applicable.
2. There are few tax exempt securities, whose interest and capital gain may not be taxable and the same will have to be determined based on the actual nature of the security.
3. In case of domestic company, the corporate tax rate (for STCG, interest income and other income) shall be 25%, if its total turnover or gross receipts in the FY 2023-24 does not exceed INR 400 crores. Also, if the corporate has opted for the concessional tax regime the corporate tax shall be 22%/15% as per section 200 or section 201 of ITA.

**Annexure 1**

### Surcharge

#### In case of individuals, HUF, Trusts, AOP and BOI

Net Total Income	Rate
Less than 5 million	NIL
Exceeds INR 5 million but does not exceed INR 10 million	10%
Exceeds INR 10 million but does not exceed INR 20 million	15%
Exceeds INR 20 million but does not exceed INR 50 million	25%
Exceeds INR 50 million	37%

#### In case of domestic companies, not exercising the option under concessional tax regime as per section 200 / section 201 of the Act

Net Total Income	Rate
Less than 10 million	NIL
Exceeds INR 10 million but does not exceed INR 100 million	7%
Exceeds INR 100 million	12%

#### In case of domestic companies exercising the option under concessional tax regime as per section 200 / section 201 of the Act

Surcharge shall be levied at the rate of 10%, irrespective of total income of the company

#### In case of Partnership Firm, LLP

Net Total Income	Rate
Less than 10 million	NIL
Exceeds INR 10 million but does not exceed INR 100 million	7%
Exceeds INR 100 million	12%

However, in case total income includes any Capital Gain income taxable under section 196, 197, 198 of ITA or for income in the nature of **dividend** from shares, the surcharge on such income shall not exceed **15%**. Also, in case of AOP consisting of only companies as its members, the rate of surcharge shall not exceed **15%**.

In case investor is opting for 'New Regime' the rate of surcharge not to exceed **25%**.

### Health and Education Cess

**4%** of income tax and surcharge.

Tax laws are subject to change with effective from 01st April 2026. The information provided herein is for informational purposes only and does not constitute tax advice. Prospective investors must consult their own tax advisors to evaluate the tax consequences of this investment in their specific jurisdiction. The Company makes no representations as to the tax consequences and bears no responsibility for any tax liabilities incurred by investors

## 9. Accounting policies

Following accounting policies are followed for the portfolio investments of the Client:

### A. Client Accounting

- (1) 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 as provided under Regulations. Proper books of accounts, records, and documents shall be maintained to explain transactions and disclose the financial position of the Client's Portfolio at any time.
- (2) The books of account of the Client shall be maintained on an historical cost basis.
- (3) Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a Financial Year are recorded and reflected in the financial statements for that year.
- (4) All expenses will be accounted on due or payment basis, whichever is earlier.
- (5) The cost of investments acquired or purchased shall include brokerage, stamp charges and any charges customarily included in the broker's contract note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment. Sales are accounted based on proceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities transaction tax, demat charges and Custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian.
- (6) Tax deducted at source (TDS) shall be considered as withdrawal of portfolio and debited accordingly.

### B. Recognition of portfolio investments and accrual of income

- (7) In determining the holding cost of investments and the gains or loss on sale of investments, the "first in first out" (FIFO) method will be followed.
- (8) Unrealized gains/losses are the differences, between the current market value/NAV and the historical cost of the Securities. For derivatives and futures and options, unrealized gains and losses will be calculated by marking to market the open positions.
- (9) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further, mutual fund dividend shall be accounted on receipt basis.
- (10) Bonus shares/units to which the security/scrip in the portfolio becomes entitled will be recognized only when the original share/scrip on which bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- (11) Similarly, right entitlements will be recognized only when the original shares/security on which the right entitlement accrues is traded on the stock exchange on the ex-right basis.
- (12) In respect of all interest-bearing Securities, income shall be accrued on a day-to-day basis as it is earned.
- (13) Where investment transactions take place outside the stock exchange, for example, acquisitions through private placement or purchases or sales through private treaty, the transactions shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

### C. Valuation of portfolio investments

- (14) Investments in listed equity shall be valued at the last quoted closing price on the stock exchange. When the Securities are traded on more than one recognised stock exchange, the Securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the portfolio manager to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded. When on a particular valuation day, a security has not been traded on the selected stock exchange, the value at which it is traded on another stock exchange may be used. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.
- (15) Investments in units of a mutual fund are valued at NAV of the relevant scheme. Provided investments in mutual funds shall be through direct plans only.
- (16) Debt Securities and money market Securities shall be valued as per the prices given by third party valuation agencies or in accordance with guidelines prescribed by Association of Portfolio Managers in India (APMI) from time to time.
- (17) Unlisted equities are valued at prices provided by independent valuer appointed by the Portfolio Manager basis the International Private Equity and Venture Capital Valuation (IPEV) Guidelines on a semi-annual basis.
- (18) In case of any other Securities, the same are valued as per the standard valuation norms applicable to the mutual funds.

The Investor may contact the customer services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues.

The Portfolio Manager may change the valuation policy for any particular type of security consequent to any regulatory changes or change in the market practice followed for valuation of similar Securities. However, such changes would be in conformity with the Regulations.

### **Securities Transactions**

Investment securities transactions are accounted for on a trade date basis. The cost of investments acquired or purchased would include brokerage, stamp charges and any charges customarily included in the brokers contract note or levied by any statute except STT (Securities Transaction Tax). Similarly, in case of Sale transactions, the above mentioned charges will be deducted from the sale price. Realised Gains/Losses will be calculated by applying the First in/First out method. It may be noted that for Income Tax purposes, STT is deductible only when the gains are treated as Business Income.

### **Income /Expenses**

All investment income and expenses will be accounted on accrual basis. Dividend will be accrued on the Ex-date of the securities and the same will be reflected in the clients books on the Ex-date. Similarly, bonus shares will be accrued on the ex-date of the securities and the same will be reflected in the client books on ex-date. In case of Fixed Income instruments, purchased/sold at Cuminterest dates, the interest component upto the date of purchase/sale will be taken to interest receivable/payable account and net of interest will be the cost/sale for the purpose of calculating realised gains/losses.

### **Reports to the Client**

The portfolio manager will furnish periodic reports to the client (not exceeding a period of three months and as and when required by the client) containing the following details:

- (a) the composition and the value of the portfolio, description of securities, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio as on the date of report;
- (b) transactions undertaken during the period of report including date of transaction and details of purchases and sales;
- (c) beneficial interest received during that period in the form of interest, dividend, bonus shares, rights shares, etc;
- (d) expenses incurred in managing the portfolio of the client;
- (e) details of risk foreseen by the portfolio manager and the risk relating to the securities recommended by the portfolio manager for investment or disinvestment;
- (f) default in payment of coupons or any other default in payments in the underlying debt security and downgrading to default rating by the rating agencies, if any.

Clients of co-investment portfolio management services are requested to go through the respective PPM for information on this section.

## 10. Investors services

- (i) Investor queries and complaints to be addressed to:

Ms R Sriranjini

Alamelu Terrace, Third Floor, 163, Anna Salai, Mount Road, Chennai- 600002

Mobile: +91 7305529179 / +91 7305744425

Email: support@sundaramalternates.com

- (ii) Grievance redressal

Service requests and grievances, if any, from the clients are received at the corporate/administrative office of the Portfolio Manager. The Portfolio Manager shall ensure proper and timely handling of such requests and take appropriate actions immediately.

The Portfolio Manager shall attend to and address any client query or concern as soon as possible to mutual satisfaction. **Please refer Annexure II for detailed Investor Grievance redressal policy of the portfolio manager.**

**11. Details of the diversification policy of the portfolio manager**

The Portfolio Manager shall restrict single stock exposure upto 15% of the client's AUM. However, this limit would not apply to thematic PMS strategies. In case of passive breach, the Portfolio Manager may adjust the exposure before the end of the subsequent quarter. The Portfolio Manager, for reasons to be recorded in writing, may breach the single stock exposure limit in the interest of the investors.

## Part-II- Dynamic Section

### 12. Client Representation

(i) Category of Clients	No. of Clients	Funds managed (₹ in crores)	Discretionary / Non-discretionary/ Advisory
Associates / Group Companies (Last 3 years)	Nil	Nil	Nil
Others:			
As on March 31, 2026	2,444	3036.79	Discretionary
	2	762.59	Advisory
As on March 31, 2025	2236	2467.49	Discretionary
	2	473.86	Advisory
As on March 31, 2024	2370	2402.04	Discretionary
	2	378.27	Advisory

*Note: Previous years figures re-grouped wherever necessary*

(iii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India are as follows:

**Based on the audited accounts for the financial year ended March 31, 2026.**

#### a) Related Parties

##### Ultimate Holding Company

Sundaram Finance Limited

##### Holding Company

Sundaram Asset Management Company Limited

##### Subsidiaries

Sundaram Alternative Opportunities Fund Mauritius Ltd

Sundaram Alternative Opportunities Fund II Mauritius Ltd

##### Associates

Sundaram Alternative Investment Trust Cat III

Sundaram Alternative Investment Trust Cat II

Sundaram Mutual Fund

##### Fellow Subsidiaries

Sundaram Asset Management Singapore Pte.Ltd

Sundaram Home Finance Ltd

Sundaram Fund Services Limited

LGF Services Limited

Sundaram Trustee Company Limited

Sundaram Finance Employees Welfare Trust

##### Joint Venture of Ultimate Holding Company having control over the entity

Royal Sundaram General Insurance Co. Ltd

##### Entity in which Director is interested:

HD Ventures LLP

##### Key Management Personnel

Mr. Harsha Viji - Chairman

Mr Arvind Sethi - Director

Ms.Bama Balakrishnan (wef 22nd January 2026)

Mr. Lakshminarayanan Duraiswamy- Director

Mr. Karthik Athreya - Managing Director (wef 3rd November 2025)

Mr.Vikaas M Sachdeva - Managing director till 31st July 2025

Transactions with related parties were made on terms equivalent to those that prevail in an arm's length transactions.

b) Transactions with related parties were made on terms equivalent to those that prevail in an arm's length transactions.

Particulars	Ultimate Holding / Holding Company		Subsidiaries/Fellow Subsidiaries/ Associates		Key Management Personnel / Entity in which Director is interested	
	31-03-2026	31-03-2025	31-03-2026	31-03-2025	31-03-2026	31-03-2025
<b>INCOME</b>						
<b>Management Fees</b>						
Sundaram Alternative Investment Fund			8,848.94	6,352.36		
<b>Advisory Fees</b>						
Sundaram Asset Management Singapore Pte.Ltd			1.25	1.25		
Sundaram Home Finance Limited			242.50	164.23		
<b>Interest and Capital Gain on AIF investments</b>						
Sundaram Alternative Investment Fund			55.77	45.83		
<b>TOTAL</b>	-	-	<b>9,148.46</b>	<b>6,563.67</b>		
<b>EXPENSE</b>						
<b>Rent</b>						
Sundaram Finance Limited	-	12.00				
<b>Hall Charges</b>						
Sundaram Finance Limited	0.20	-				
<b>PMS Brokerage</b>						
Sundaram Finance Limited	384.07	379.25				
<b>AIF Brokerage</b>						
Sundaram Finance Limited	175.32	107.29				
<b>Internal Audit Fees</b>						
Sundaram Finance Limited	10.50	6.00				
<b>Insurance</b>						
Royal Sundaram General Insurance Co Ltd			1.64	0.31		
<b>Document Storage Charges</b>						
Sundaram Home Finance Limited			1.20	1.16		
<b>Professional &amp; Consultancy Charges</b>						
HD Ventures LLP					872.38	586.14
<b>REMUNERATION TO KEY MANAGERIAL PERSONNEL OF THE COMPANY</b>						
<b>Key Personnel of the Company</b>						
Mr. Karthik Athreya - Managing Director (wef 3rd November 2025)					128.42	-
Mr.Vikaas M Sachdeva - Managing director till 31st July 2025)					264.03	278.21
<b>Director Sitting Fees and commission</b>						
Mr Arvind Sethi					13.40	8.10
<b>Total</b>	<b>570.09</b>	<b>504.54</b>	<b>2.84</b>	<b>1.47</b>	<b>1278.23</b>	<b>872.45</b>
<b>ASSETS</b>						
<b>INVESTMENT IN SECURITIES AT THE END OF THE YEAR</b>						
Sundaram Alternative Investment Fund - Cat III			527.10	575.25		
Sundaram Alternative Investment Fund - Cat II			435.00	290.82		
Sundaram Mutual Fund			-	1,344.24		
Sundaram Alternative Opportunities Fund Mauritius Ltd			0.08	0.08		
Sundaram Alternative Opportunities Fund II Mauritius Ltd			0.08	0.08		
Deposit - Royal Sundaram General Insurance Co. Ltd			0.14	0.03		
<b>Total</b>			<b>962.40</b>	<b>2,210.49</b>		
<b>TRADE RECEIVABLES</b>						
Outstanding Receivable - Sundaram Alternative Investment Fund - Cat III			42.20	90.48		
Outstanding Receivable - Sundaram Alternative Investment Fund - Cat II			2,077.03	1,264.39		
Outstanding Receivable - Sundaram Asset Management Company Limited	2.28	1.30				
Outstanding Receivable - Sundaram Home Finance Limited			83.46	41.06		
Outstanding Receivable - Sundaram Asset Management Singapore Pte.Ltd			0.31	0.31		
<b>Total</b>	<b>2.28</b>	<b>1.30</b>	<b>2,203.00</b>	<b>1,396.24</b>		
<b>LIABILITIES</b>						
<b>TRADE PAYABLES</b>						
Outstanding Payable - Sundaram Asset Management Company Limited	25.37	7.95				
Outstanding Payable - Sundaram Finance Limited	45.43	28.97				
Outstanding Payable - Sundaram Home Finance Limited			0.10	0.20		
Outstanding Payable - HD Ventures LLP					-	53.70
<b>Total</b>	<b>70.80</b>	<b>36.92</b>	<b>0.10</b>	<b>0.20</b>	<b>-</b>	<b>53.70</b>

\* All the outstanding balances (payables or receivables) with related parties are unsecured.

\* No amounts payable to or receivable from related parties have been written off / written back during the year.

**13. Financial Performance**

₹ in crore

	Year ended 31/03/2026 (Audited)	Year ended 31/03/2025 (Audited)	Year ended 31/03/2024 (Audited)
Turnover / Total income	158.13	128.64	112.32
Profit after Tax	25.69	19.50	18.30
Equity Capital (FV Rs.10/- each)	39.05	39.05	39.05
Free Reserves	4.93	24.63	29.18
Networth	43.98	63.69	68.24
Earnings per share (Rs.)	6.58	4.99	4.69
Book Value per share (Rs.)	11.26	16.31	17.47
Percentage of Dividend paid	32.9%	24.90%	45.00%

#### 14. Performance of Portfolio Manager

Portfolio Management performance of the portfolio manager for the last three years, and in case of discretionary portfolio manager disclosure of performance indicators calculated using 'Time Weighted Rate of Return' method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020. In respect of co-investment portfolio management services, the performance shall be calculated in the manner as agreed between the Co-investment Portfolio Manager and the client.

##### Disclosure of performance of the portfolio manager for the last three years

	Financial Year 1 1 Apr 2025 - 31 Mar 2026	Financial year 2 1 Apr 2024 - 31 Mar 2025	Financial year 3 1 Apr 2023 - 31 Mar 2024
<b>Portfolio Returns</b>			
ALPHA	-11.27%	-6.51%	42.77%
DEDICATED	N.A.	N.A.	39.43%
INDIA EQUITY	N.A.	N.A.	33.75%
QUANT	4.10%	-1.86%	24.91%
SISOP	15.76%	14.02%	29.37%
STREQT	N.A.	N.A.	43.89%
WONDER	N.A.	N.A.	40.78%
VOYAGER	10.93%	13.99%	32.58%
VOYAGERGLOBAL	12.26%	9.79%	N.A.
S.I.T.P	11.18%	14.18%	N.A.
S.E.L.F Portfolio	14.11%	6.25%	39.58%
SUNIOP	-3.91%	0.56%	17.64%
SUNOPP	N.A.	6.07%	21.85%
SUNDARAM RISING STARS	19.44%	-1.84%	24.03%
<b>Benchmark (S&amp;P BSE 500 TRI)</b>	<b>-3.12%</b>	<b>5.96%</b>	<b>40.16%</b>
Sundaram Liquid Fund Portfolio	4.52%	6.38%	6.37%
FIRST AGGRESSIVE	9.17%	N.A.	N.A.
FIRST BESPOKE	10.05%	N.A.	N.A.
FIRST CONSERVATIVE	8.38%	N.A.	N.A.
FIRST MODERATE	9.19%	N.A.	N.A.
<b>Benchmark (CRISIL BOND FUND INDEX)</b>	<b>3.58%</b>	<b>9.04%</b>	<b>8.01%</b>

N.A. means Not Applicable as portfolio was not in existence for the entire period or had no clients during the period.

- 1 All the clients who have been active during the reporting period are considered for above review.
- 2 Performance of the portfolio is calculated by TWRR method by taking into consideration the total AUM of the product on daily basis including the impact of new / additional investments and partial /full redemption by the clients. Return of each portfolio calculated is then compared against its respective benchmark
- 3 For portfolios started during the financial year, the returns for the portfolio and benchmark have been calculated since inception of the portfolio.
- 4 For portfolios commenced prior to current financial year, the since inception benchmark returns have not been provided as it is not a weighted average performance figure and hence not comparable with portfolio returns

**15. Audit Observations**

There were no material observations made by the auditors in the preceding 3 years. Minor observations made by them were addressed suitably.

16. Details of investments in the securities of related parties of the Portfolio Manager as on 31.03.2026:

Sr. No	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on last day of the previous calendar quarter (INR in crores)	Value of investment as on last day of the previous calendar quarter (INR in crores)	Percentage of total AUM as on last day of the previous calendar quarter
1	India Dedicated	Sundaram Finance Limited	0.01542	0.12995	0.00505%
2	India Dedicated	TSF Investments Limited	0.00100	0.01003	0.00039%


Note: The above investments belong to a deceased investor. Process is going on to transmit the equity shares in favour of the legal heir.

**Direct on-boarding of clients**

Client has an option for direct on-boarding without intermediation of persons engaged in distribution services. In this mode, client will be charged management fees and portfolio operating expenses. No other charges will be levied.

This provision shall not apply to clients of co-investment portfolio management services

Signature of the Directors:

 Darshan Engineer Principal Officer	 Lakshminarayanan D Director
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Date: 27th May 2026

Place: Chennai

**Arbitration:**

All dispute, differences, claims and questions whatsoever which shall arise either during the subsistence of the agreement with a Client or afterwards with regard to the terms thereof or any clause or thing contained therein or otherwise in any way relating to or arising therefrom or the interpretation of any provision therein shall be in the first place settled by mutual discussion, failing which the same shall be referred to and settled by arbitration in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force. The arbitration shall be held in Chennai and be conducted in English language. The agreement with the Client shall be governed by, construed and enforced in accordance with the laws of India. Any action or suit involving the agreement with a client or the performance of the agreement by either party of its obligations will be conducted exclusively in courts located within the city of Chennai in the state of Tamilnadu. For co-investment portfolio management services, the nature of expenses shall be as per the mutual agreement between the Coinvestment Portfolio Manager and the client.

**DISCLOSURE ON DERIVATIVES****A. Purpose of using derivatives:**

The portfolio manager may advise on use of derivatives with an objective of either hedging or balancing the portfolio. By the use of derivatives for the purpose of hedging, the Portfolio Manager attempts to protect the portfolio especially when markets are uncertain or have a downward bias.

**B. Use of Derivatives**

SEBI, in terms of Securities and Exchange Board of India (Portfolio Managers) Amendment Regulations, 2002, have permitted all the Portfolio Managers to invest in derivatives subject to observance of guidelines issued by SEBI in this behalf (hereinafter referred to as "Guidelines"). Pursuant to these Guidelines, the portfolio managers may invest in derivatives, including transactions for the purpose of hedging and portfolio rebalancing through a recognised stock exchange with the objective of protecting the value of the portfolio and enhance the Clients' interest.

Accordingly, the Portfolio Manager may use derivatives instruments like Stock / Index Futures, Stock / Index Options, Interest Rate Swaps, Forward Rate Agreements or other such derivative instruments as may be introduced from time to time, as permitted by SEBI.

The following information provides a basic idea as to the nature of the derivative instruments generally intended to be used by the Portfolio Manager and the benefits and risks associated there with. The illustrations provided hereunder are for the purpose of understanding by the client.

**Index Futures:****Benefits**

- Investment in Index Futures can give exposure to the Index without directly buying the individual stocks. Appreciation in Index stocks can be effectively captured through investment in Index Futures.
- The Portfolio Manager can sell futures to hedge against market movements effectively without actually selling the stocks it holds.
- The Index Futures are instruments designed to give exposure to the equity Market indices. The pricing of an index future is the function of the underlying Index and interest rates.

**Stock Futures:****Benefits**

- Investment in stock futures can give exposure to the stock without directly buying the stocks. Appreciation in stocks can be effectively captured through investment in stock futures.

- The portfolio Manager can sell stock futures to hedge against adverse movements effectively without actually selling the stocks in holds.
- The risk and return payoff of the stock futures is similar to that of an index futures mentioned above.

**Illustration:**

Spot Index: 1100, 1 month Nifty Future Price on day 1: 1125, Portfolio Manager buys 100 lots, each lot has a nominal value equivalent to 50 units of the underlying index.

Let us say that on the date of settlement, the future price = Closing spot price = 1150.

Profits for the Portfolio =  $(1150 - 1125) * 50 \text{ lots} * 100 = ₹1,25,000/-$

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

The net impact for the Portfolio will be in terms of the difference between the closing price of the index and cost price (ignoring margins for the sake of simplicity). Thus, it is clear from the example that the profit or loss for the Portfolio will be the difference of the closing price (which can be higher or lower than the purchase price) and the purchase price. The risks associated with index futures are similar to the one with equity investments. Additional risks could be on account of illiquidity of Index Stocks and hence mispricing of the futures at the time of purchase.

**Buying Options:****Benefits of buying a call option:**

Buying a call option on a stock or index gives the owner the right but not the obligation to buy the underlying stock or index at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

**Illustration:**

For example, if the Portfolio Manager buys a one-month call option on Infosys Technologies at a strike price of ₹2850 with the current market price being say ₹2860. The Portfolio Manager will have to pay a premium of say ₹15 to buy this call. If the stock price goes below ₹2850 during the tenure of the call, the Portfolio Manager avoids the loss it would have incurred had it straightaway bought the stock instead of the call option. The Portfolio Manager gives up the premium of ₹15 that has to be paid in order to protect the Portfolio from this probable downside. If the stock goes above ₹2850, it can exercise its right and own Infosys Technologies at a cost price of ₹2850 thereby participating in the upside of the stock. For such a transaction, the break-even price will be the sum of strike price and the premium paid, in this case it would be ₹2850 + ₹15 = ₹2865.

**Benefits of buying a put option**

Buying a put option on a stock originally held by the buyer gives him/her the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

**Illustration:**

For example, if the portfolio owns Infosys Technologies and also buys a three month put option on Infosys Technologies at a strike of ₹2850, the current market price being say ₹2860. The Portfolio Manager will have to pay a premium of say ₹15 to buy this put. If the stock price goes below ₹2850 during the tenure of the put, the Portfolio Manager can still exercise the put and sell the stock at ₹2850, avoiding therefore any downside on the stock below ₹2850. The Portfolio Manager gives up the fixed premium of ₹15 that has to be paid in order to protect the Portfolio from this probable downside. If the stock goes above ₹2850, say to ₹2870, it will not exercise its option. The Portfolio Manager will participate in the upside of the stock, since it can now sell the stock at the prevailing market price of ₹2870.

## Writing Options

### **Benefits of writing an option with underlying stock holding (Covered call writing)**

Covered call writing is a strategy where a writer (say, the Portfolio Manager) will hold a particular stock, and sell in the market a call option on the stock. Here the buyer of the call option now has the right to buy this stock from the writer (the Portfolio Manager) at a particular price which is fixed by the contract (the strike price). The writer receives a premium for selling a call, but if the call option is exercised, he has to sell the underlying stock at the strike price. This is advantageous if the strike price is the level at which the writer wants to exit his holding / book profits. The writer effectively gains a fixed premium in exchange for the probable opportunity loss that comes from giving up any upside if the stock goes up beyond the strike price.

#### **Illustration:**

Let us take for example Infosys Technologies, where the Portfolio holds stock, the current market price being ₹2850. The Portfolio Manager holds the view that the stock should be sold when it reaches ₹3000. Currently the one month 3000 calls option can be sold at say ₹150. Selling this call gives the call owner the right to buy from the portfolio, Infosys at ₹3000. Now the Portfolio Manager by buying/ holding the stock and selling the call is effectively agreeing to sell Infosys at ₹3000 when it crosses this price. So the Portfolio Manager is giving up any possible upside beyond ₹3000. However, the returns on the Portfolio are higher than what it would have got if it just held the stock and decided to sell it at ₹3000. This is because the Portfolio Manager by writing the covered call gets an additional ₹150 per share of Infosys. In case the price is below ₹3000 during the tenure of the call, then it will not be exercised and the Portfolio Manager will continue to hold the shares. Even in this case the returns are higher than if the Portfolio had just held the stock waiting to sell it at ₹3000.

### **Benefits of writing put options with adequate cash holding:**

Writing put options with adequate cash holdings is a strategy where the writer (say, the Portfolio Manager) will have an amount of cash and will sell put options on a stock. This will give the buyer of this put option the right to sell stock to the writer (the Portfolio Manager) at a pre-designated price (the strike price). This strategy gives the put writer a premium, but if the put is exercised, he has to buy the underlying stock at the designated strike price. In this case the writer will have to accept any downside if the stock goes below the exercise price. The writer effectively gains a fixed premium in exchange for giving up the opportunity to buy the stock at levels below the strike price. This is advantageous if the strike price is the level at which the writer wants to buy the stock.

#### **Illustration:**

Let us take, for example, that the Portfolio Manager wants to buy Infosys Technologies at ₹2900, the current price being ₹3000. Currently the three month 2900 puts can be sold at say ₹100. Writing this put gives the put owner the right to sell to the portfolio, Infosys at ₹2900. Now the Portfolio by holding cash and selling the put is agreeing to buy Infosys at ₹2900 when it goes below this price. The Portfolio Manager will take on itself any downside if the price goes below ₹2900. But the returns on the Portfolio are higher than what it would have got if it just waited till the price reached this level and bought the stock at ₹2900, as per its original view. This is because the Portfolio Manager by writing the put gets an additional ₹100 per share of Infosys. In case the price stays above ₹2900 during the tenure of the put, then it will not be exercised and the Portfolio Manager will continue to hold cash. Even in this case the returns are higher than if the Portfolio had just held cash waiting to buy Infosys at ₹2900.

### **Risks associated with Investing in Derivatives:**

When the Portfolio Manager transacts in the derivatives market,

there are risk factors and issues concerning the use of derivatives that the investors should be aware of.

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 interest but also of the derivative instrument 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 the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. 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. Also, the market for derivative instruments is evolving in India

#### **Risk Factors - Derivatives**

- **Counter Party Risk:** This is the risk of default of obligations by the counter party.
- **Market risk:** Derivatives carry the risk of adverse changes in the market price.
- **Illiquidity risk:** The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.
- **Basis Risk:** The risk that the movements in swap rates does not actually reflect the expected movement in benchmark rates, thus, creating a mismatch with what was intended.
- **Model Risk:** this is the risk of mis-pricing or improper valuation of derivatives.

The Portfolio Manager may use techniques such as interest rate swaps, options on interest rates, warrants, forward rate agreement and other derivative instruments that are / may be permitted under SEBI/RBI Regulation. These techniques and instruments, if imperfectly used, have the risk of the portfolio incurring losses due to mismatches, particularly in a volatile market. The portfolio's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any).

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

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

It may be mentioned here that the guidelines issued by Reserve Bank of India from time to time for forward rate agreements, interest rate swaps, futures and other derivative products would be adhered to.

The portfolio manager may also use various derivative and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio.

The Client is advised to carefully review the Disclosure Document, Client Agreement and other related documents carefully and in entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under the Portfolio, before making an investment decision.

## Investor Grievance Policy

### Preamble

Sundaram Alternate Assets Limited has adopted the Sundaram Finance Group's corporate core values stressing Ethical business practices with transparency and accountability, dedicated investor service and prudent efficient policies since inception. As an Investment Manager to the portfolios of various clients, the company believes in creating and protecting interests of our investors. Accordingly, the Investors' Grievance Policy is framed with the objects to protect the interests of the investors.

### Process

1. Handling of all investor grievances is a centralized function and is being handled by Client Relations Department in consultation with the Compliance department at corporate office.
2. The Company designated Ms.R.Sriranjani – Portfolio Management Services to receive and redress all the queries, grievances and complaints as per the Standard Operation procedures issued from time to time. A designated e-mail id has been created support@sundaramalternates.com
3. All Investor Grievances (hard copy or soft copy) that are received should be incorporated in the Register of Grievance and action to be initiated immediately.
4. All the Investor Grievances recorded should be addressed and resolved within 7 working days from the date of receipt of grievance/ complaints as the case may be.
5. Any course of action which involves the concerned department at Head office it would be informed to the concerned Head of the departments for suitable action.
6. If there is no response from concerned department within 5 working days of the complaint, the same would be escalated to Head Compliance for immediate action and if there no response within 7 working days the same would be reported to the Managing Director.
7. All investor complaints should be resolved within time period of 21 days of the receipt of the complaint to the PMS Department, Chennai.
8. The Compliance officer should verify and initial all the resolved grievance and complaints, recorded in the Register of Grievance and Complaints.
9. The Register of complaint and Grievance should be made available to the Internal/External Auditors during the time of Audit and to the Regulatory Authorities.
10. The soft copies / hard copies of the complaints received from the customers are preserved by the Client Relations Department for future reference, if required.

### Address of Client Relations Department

#### Sundaram Alternate Assets Limited

Portfolio Management Services Division

Alamelu Terrace, 3rd floor, 163, Anna Salai, Mount Road, Chennai 600 002.

Mobile: +91 7305529179 / +91 7305744425 E-mail: support@sundaramalternates.com

The investor has to first approach the Portfolio Manager with his/her grievance for the purpose of redressal. In case the investor is not satisfied with the response provided by the Portfolio Manager, he/she may approach SEBI which takes up complaints against the various intermediaries, including Portfolio Managers, registered with it. The complaint has to be filed in SEBI Complaints Redress System (SCORES) at <http://scores.gov.in/Default.aspx>.

After exhausting all options as mentioned above for resolution, if the client is not satisfied, they can initiate dispute resolution through the Online Dispute Resolution Portal (ODR) at <https://smartodr.in/login>.

Alternatively, the client can directly initiate dispute resolution through the ODR Portal if the grievance lodged with the Portfolio Manager is not satisfactorily resolved or at any stage of the subsequent escalations mentioned above.

The dispute resolution through the ODR Portal can be initiated when the complaint/dispute is not under consideration in SCOREs guidelines or not pending before any arbitral process, court, tribunal or consumer forum or are non-arbitrable in terms of Indian law.

The process on Online Dispute Resolution Mechanism is available at <https://www.sundaramalternates.com/Investor-Grievances>.

Standard Operating Procedure			
Service request	No. Of Working Days	Grievance / Complaint Handling	No.Of Working Days
New account opening including documentation and registration of nomination		Non receipt of statement	3 working days
i. Individual/HUF	7 working days*		
ii. NRI	14 working days*		
iii. Corporate	10 working days*		
Address change	5 working days with custodian as per Custodian TAT	Mistakes/ errors in statement	5 working days
Change of Bank Mandate	5 working days with custodian as per Custodian TAT		
Email change	5 working days with custodian as per Custodian TAT	Payment not received	3 working days
Online access	3 working days		
Statement of account request	3 working days	SEBI complaints	3 working days
Report request	3 working days		
Transmission	5 working days		
Capital gains statement	3 working days		
General Enquiries	3 working days		
Redemption	<p><b>Pay-out using Securities:</b> Within 15 days of receipt of the requisite documentation or 15 days from settlement of the last corporate action (for client's securities/investments), whichever is later.</p> <p><b>Pay-out using Funds:</b> Within 45 days from receipt of the requisite documentation or 15 days from settlement of the last corporate action (for client's securities/investments), whichever is later.</p> <p><b>Extension in pay-out timelines in either scenario:</b> Subject to prior intimation to the client.</p>		

\*Provided all documentations/KYC has been done.

**Form C**  
**Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020**  
**(Regulation 22)**

Name of the Portfolio Manager: Sundaram Alternate Assets Limited  
Address: Alamelu Terrace, 3rd floor, 163, Anna Salai, Mount Road, Chennai 600 002.  
Mobile: +91 7305529179 / +91 7305744425 Fax: +91 44 28583156  
E-mail : support@sundaramalternates.com

We Confirm that :-

1. The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
2. The disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager.
3. The Disclosure Document has been duly certified by an independent chartered accountant (Mr P Babu, Membership Number 203358, Partner, M/s Brahmayya & Co., Chartered Accountants, 48, Masilamani Road, Balaji Nagar, Royapettah, Chennai 600 014. Telephone No.- 044- 2813 1128 /1138 /1148 /1158 Fax No.044-28131158), on 27th May 2026.  
(Copy of certificate issued by M/s Brahmayya & Co., Chartered Accountants is enclosed).

**For Sundaram Alternate Assets Limited**

Sd/-

**Darshan Engineer**

Principal Officer

Address: Satellite Gazebo Office No. 101 & 102, B - Wing,  
Ground Floor, B D Sawant Marg, Andheri – Ghatkopar Link Road  
Mumbai 400 093

Date: 27th May 2026

Place: Mumbai

BRAHMAYYA & CO.,  
CHARTERED ACCOUNTANTS

48, Masilamani Road  
Balaji Nagar, Royapettah  
Chennai - 600 014. India  
Phone: 2813 1128, 2813 1138  
2813 1148, 2813 1158  
Fax: +91 (044) 2813 1158

**CHARTERED ACCOUNTANT'S CERTIFICATE**

We have reviewed the Disclosure Document dated 27th May 2026 pertaining to Portfolio Management Services of Sundaram Alternate Assets Limited, Chennai with reference to the contents of Model Disclosure Document as per SEBI Circular No. SEBI/HO/IMD/IMD-RAC-3/P/CIR/2025/125 dated September 09, 2025 to the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (the Regulations). Based on our review and the information and explanations given to us, we hereby certify that the items to be stated in the Disclosure Document in terms of the Regulations have been stated.

A Copy of the Disclosure Document forwarded to us by the Company is annexed to this Certificate, initialed for the purpose of identification.

This certificate is being issued to enable the Company to comply with the requirements of Securities and Exchange Board of India.

**For Brahmayya & Co.**

**Chartered Accountants**

Firm Registration Number: 000511S

Sd/-

**P Babu**

**Partner**

**Membership no. 203358**

**UDIN: 26203358UEIXCQ6081**

Date: 27th May 2026

Place: Chennai

