

**PRIVATE AND CONFIDENTIAL**

**DSP INDIA ENHANCED EQUITY SATCORE FUND (“SCHEME”) launched by DSP ALTERNATIVE INVESTMENT FUND CATEGORY III (“FUND”)**

**A SEBI-registered Category III Alternative Investment Fund set-up under the SEBI (Alternative Investment Funds) Regulations, 2012**

**Registration No. IN/AIF3/13-14/0059**

**Managed by  
DSP Asset Managers Private Limited  
("INVESTMENT MANAGER")**

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

This Confidential Private Placement Memorandum (this “**Memorandum**”) is being furnished to prospective investors on a confidential basis for them to consider an investment on private placement basis in ‘DSP India Enhanced Equity SatCore Fund’ which is a Scheme launched by ‘DSP Alternative Investment Fund Category III’, a trust organized under the Indian Trusts Act, 1882, and registered as a Category III Alternative Investment Fund under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. This Memorandum may not be reproduced or provided to others without the prior written permission of the Investment Manager. By accepting delivery of this Memorandum, each prospective investor agrees to the foregoing. This Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase Units of the Scheme as described herein in any state or other jurisdiction where, or to any person or entity to whom, it is unlawful to make such offer or solicitation.

Dated: April 28, 2026

## NOTICE TO INVESTORS

### **THE CONTENTS OF THIS DOCUMENT ARE ONLY FOR PRIVATE CIRCULATION AND INTENDED TO BE USED ONLY BY THOSE PERSONS TO WHOM IT IS DISTRIBUTED.**

This confidential Private Placement Memorandum of **DSP India Enhanced Equity SatCore Fund** (the “**Scheme**”) launched by **DSP ALTERNATIVE INVESTMENT FUND CATEGORY III** (the “**Fund**”) is being furnished solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible investment in the Scheme, launched by the Fund, being an Alternative Investment Fund Category III, organized as a trust under Indian Trust Act, 1882. The Fund is registered with the Securities and Exchange Board of India (“**SEBI**”) as an Alternative Investment Fund Category III (“**AIF**”) under the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012 (“**SEBI Regulations**”) as amended from time to time. The Units are not being offered for subscription, but are being privately placed with a limited number of sophisticated high net-worth individuals, partnership firms, proprietorship firms, trusts, Hindu undivided families and corporate investors.

This confidential Private Placement Memorandum and all supplements hereto, including the annexures hereto and, with respect to the Scheme, the relevant Appendices (“**Private Placement Memorandum**” or “**Memorandum**”), are being furnished to prospective investors on a confidential basis and may not be used for any other purpose.

This offering Memorandum has been prepared solely for the consideration of prospective investors in the Scheme. Except as otherwise expressly set forth herein, distribution or disclosure of any of the contents of this offering Memorandum without the prior written consent of the Scheme / Fund is prohibited. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy participating Units in the Scheme in any jurisdiction or to any person to whom it is unlawful to make such an offer or sale.

Investment in the Scheme involves special risks, and purchase of the Units in the Scheme should be considered only by persons who can bear the economic risk of a total loss of their investment and who have limited need for liquidity in their investment. The investments made by the Scheme using the proceeds of the Units issuances are subject to normal market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur. The value of the Units and the income from the Units can go down, as well as up, and investors may not realize the value of their investment. The attention of prospective investors is drawn to the Section titled “Risk Considerations and Other Disclosures”. Please also note that no regulatory authorities have confirmed the accuracy or determined the adequacy of this Memorandum.

Prospective investors should not treat the contents of this Memorandum as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the income and other tax consequences which may be applicable as a result of the purchase, holding, transfer, redemption and / or other disposal of Units; (b) the legal requirements within their own countries for the purchase, holding, transfer, redemption and / or other disposal of Units. Prospective investors should make their own inquiries and must consult and rely upon their own representatives, including their own legal and investment advisers and / or accountants, as to legal, tax, investment or any other related matters concerning the Units and an investment therein. Each prospective investor is responsible for its own costs in considering an investment in the Scheme.

This Memorandum contains statements which contain words or phrases such as “will”, “aim”, “will result”, “possible”, “likely”, “believe”, “propose”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “project”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”. By their nature, certain forward-looking statements are only estimates and actual events or results thereof or the actual performance of the Scheme may differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements.

In making an investment decision, prospective investors must rely on their own examination of the Scheme / Fund and the terms of the offering, including the merits and risks involved.

Neither the delivery of this Memorandum, nor the placing, allotment or issue of any of the Units shall under any circumstances create any implication or constitute a representation that the information given in this Memorandum is correct as of any date subsequent to the date hereof. The information contained in this Memorandum is true and accurate as on the date of this Memorandum and the delivery of this Memorandum at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

This Memorandum is intended solely for use on a confidential basis by those persons to whom it is transmitted by the Fund in connection with the contemplated private placement of Units in the Scheme. Recipients, by their acceptance and retention of this Memorandum, acknowledge and agree to preserve the confidentiality of the contents of this Memorandum and all accompanying documents and to return this Memorandum and all such documents to the Scheme / Fund if the recipient does not purchase / subscribe to any Units in the Scheme. Neither this Memorandum nor any of the accompanying documents may be reproduced in whole or in part, nor may they be used for any purpose other than that for which they have been submitted, without the prior written consent of the Scheme / Fund.

All subscriptions for Units in the Scheme are subject to acceptance by the Scheme. Neither the Scheme nor the Investment Manager will have any liability towards a prospective investor whose application for subscription of Units is rejected for any reason, whatsoever.

It is the responsibility of any persons wishing to subscribe for the Units to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of these Units, and any foreign exchange restrictions that may be relevant thereto.

No action has been or will be taken in any jurisdiction that would permit an offering of the Units of the Scheme or possession or distribution of offering materials in connection with the issuance of these Units. It is the responsibility of any person wishing to purchase any of these Units to satisfy himself, herself or itself as to full observance of the laws or regulations of any relevant territory outside the United States in connection with any such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities. Prospective non-U.S. investors should carefully consider the applicable legends contained in Annexure E attached hereto before deciding whether or not to invest in the Scheme. Unless otherwise stated, all Dollar figures in this document are expressed in United State Dollars and references to "\$," "USD" or "US\$" are to United States Dollars, unless otherwise stated.

With respect to any information about the prior performance contained in this Memorandum, investors should bear in mind that past performance is not necessarily indicative of future results. No assurance is hereby offered or given that the Fund will achieve comparable results.

The Contributor shall not disclose any provision of the Contribution Agreement or any other information about the Scheme, the investments or the Investment Manager, except in the cases as stated in the Contribution Agreement.

### **NOTICE TO UNITED STATES INVESTORS**

The Units have not been, nor will they be, registered or qualified under the United States Securities Act of 1933, as amended (the “**1933 Act**”), or any applicable securities or blue sky laws of any state or other political subdivision of the United States of America. Except as mentioned herein, the Units may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, its territories or possessions (the “**United States**” or “**U.S.**”) or to, or for the account or benefit of, any U.S. Person, as defined in Regulation S under the 1933 Act. Notwithstanding the foregoing, the Scheme may offer and sell Units to U.S. Persons that are both “accredited investors” within the meaning of Rule 501(a) under the 1933 Act, in reliance upon the exemption from the registration requirements of the 1933 Act provided in Rule 506 under the 1933 Act, provided that any offers and sales are exempt from registration or qualification under applicable state securities or blue sky laws. Further, the Scheme is not registered with the United States Securities and Exchange Commission (the “**SEC**”) under the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

Any document evidencing Units issued to U.S. Persons will bear a legend stating that the Units have not been registered under the 1933 Act and that the Scheme is not registered under the Investment Company Act and referring to certain restrictions on transfer and sale.

The Units have not been approved or disapproved by the SEC or any state securities commission or other regulatory authority, nor have any such regulatory authorities passed upon or endorsed the merits of this offering or the accuracy of this Memorandum. Any representation to the contrary is a criminal offense.

### **NOTICE TO FLORIDA INVESTORS:**

UPON THE ACCEPTANCE OF FIVE OR MORE FLORIDA INVESTORS, AND IF THE FLORIDA INVESTOR IS NOT AN INSTITUTIONAL PURCHASER DESCRIBED IN SECTION 517.061 (7) OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT (MEANING NOT A BANK, A TRUST FUND, A SAVINGS INSTITUTION, AN INSURANCE FUND, A DEALER, AN INVESTMENT FUND AS DEFINED IN THE INVESTMENT COMPANY ACT, A PENSION OR PROFIT-SHARING TRUST OR A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THE FLORIDA INVESTOR ACKNOWLEDGES THAT ANY SALE OF INTERESTS TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE ISSUER, OR AN AGENT OF THE ISSUER, OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

### **NOTICE TO ALL INVESTORS:**

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SCHEME AND THE TERMS AND CONDITIONS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**ANY QUESTIONS RELATING TO THIS MEMORANDUM SHOULD BE ADDRESSED TO:**

**Contact Name:** Dr. Pritesh Majmudar, Head – Legal & Compliance, DSP Asset Managers Private Limited

**Address:** The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar (West), Mumbai 400028

**Contact details:**

**Email:** [pritesh.majmudar@dspim.com](mailto:pritesh.majmudar@dspim.com)

**Tel:** +91 22 66578050

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## 1. FUND DIRECTORY

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|---------------------------|--|
| <b>Scheme</b>             | DSP India Enhanced Equity SatCore Fund   |
| <b>Fund</b>               | DSP Alternative Investment Fund Category III<br>Address*- The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028<br>Tel - 1800-208-4499 / 1800-200-4499  |
| <b>Sponsor</b>            | DSP HMK Holdings Private Limited<br>Address - Mafatlal Centre, 11th Floor, Nariman Point, Mumbai 400021, India.<br>Tel - 1800-208-4499 / 1800-200-4499<br><br>DSP Adiko Holdings Private Limited<br>Address - Mafatlal Centre, 11th Floor, Nariman Point, Mumbai 400021, India.<br>Tel - 1800-208-4499 / 1800-200-4499 |
| <b>Investment Manager</b> | DSP Asset Managers Private Limited<br><br>Address*- The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028<br><br>Tel - 1800-208-4499 / 1800-200-4499  |
| <b>Trustee</b>            | DSP Trustee Private Limited<br><br>Address*- The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028.<br><br>Tel - 1800-208-4499 / 1800-200-4499  |
| <b>Custodian</b>          | The Hongkong and Shanghai Banking Corporation Limited<br>HSBC Securities Services<br>Address - NESCO IT Park, NESCO Complex, 11 <sup>th</sup> Floor, Building No. 3, Western Express Highway, Goregaon, Mumbai, 400063, India<br>Tel - +91 (22) 612-246-27   |
| <b>Auditors</b>           | M/s. MSKA & Associates (Member firm of BDO International)<br><br>Address - 602, Floor 6, Raheja Titanium, Western Express Highway, Geetanjali Railway Colony, Ram Nagar, Goregaon East, Mumbai - 400063<br><br>Tel - 022-62380519  |
| <b>Legal Advisors</b>     | IC RegFin Legal Partners LLP<br><br>Address: Times Square Building, Suite 3, 12th floor, E-Wing, Marol, Andheri-Kurla Road, Andheri (East), Mumbai – 400 059, Maharashtra, India.<br><br><b>Tel.:</b> +91 22 61849900<br><br><b>Email:</b> regfinlegal.com   |

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| <b>Merchant Bankers</b> | Socradamus Capital Private Limited<br>Gala No. 303, Cama Industrial Estate, Sun Mill Compound Lower Parel, Delisle<br>Road, Mumbai - 400 013<br>Tel - 022 - 4961 4235 |
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*\*The change in registered office is effective from April 30, 2025*

## 2. SUMMARY OF PRINCIPAL TERMS

*The following summary is intended to highlight certain information in the body of this Private Placement Memorandum and is intended only for quick reference. The information in this table is qualified in its entirety to more complete information provided elsewhere in this Private Placement Memorandum and in the definitive documentation of the Scheme, including the Indenture of Trust and the Contribution Agreement delivered with this Private Placement Memorandum. The terms hereof are subject to modification or withdrawal. Potential investors are urged to carefully read this entire Private Placement Memorandum before making an investment in the Scheme.*

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| Fund                 | <p>DSP Alternative Investment Fund Category III (“Fund”) is registered under SEBI (Alternative Investment Funds) Regulations, 2012. The registered office of the Fund is located at The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028</p> <p>The Fund has been constituted as a trust vide the Indenture of Trust dated May 28, 2013 (the “Indenture” or “Indenture of Trust”) in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). DSP Trustee Private Limited is the Trustee. The Indenture of Trust has been registered in accordance with the Indian Registration Act, 1908.</p> <p>DSP HMK Holdings Private Limited (as settlor) and DSP Trustee Private Limited (as Trustee) in terms of the Indenture of Trust have executed a separate Supplementary Indenture of Trust, amongst others, for launch the Scheme (as defined herein below) and carry out the functions, perform duties and fulfil obligations in line with the Indenture of Trust in relation to Scheme.</p> <p>The Fund is offering, through a private placement, one or more Classes of Units of the Scheme to prospective investors. The Scheme shall be represented by one or more Classes of Units.</p> |
| SEBI                 | means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.   |
| SEBI Regulations     | Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended from time to time.   |
| SEBI Master Circular | SEBI Master circular No. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39 dated May 07, 2024.   |
| Category III AIF     | means a Category III Alternative Investment Fund registered with SEBI under the Regulations.   |
| Scheme               | DSP India Enhanced Equity SatCore Fund.  |
| Scheme Size          | means the aggregate Capital Commitments of all the Contributors of the Scheme, subject to a minimum size of INR 20,00,00,000/- (Rupees Twenty Crores only).  |
| Investable Funds     | means corpus of the scheme of Alternative Investment Fund net of expenditure for administration and management of the fund estimated for the tenure of the fund .Explanation - For the purpose of this clause, the expression “tenure” means the   |

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|                                    | duration of scheme from the day of its launch till last day of the term as specified in the fund documents;  |
| Government                         | means any Indian central, state or local government authority, agency, branch or body or any instrumentality thereof.  |
| GST                                | Means Goods and Service Tax  |
| Contribution Fund                  | means the aggregate of Capital Contributions of the Scheme, including any additions / reductions thereto and the undistributed income accumulated in respect thereof, but do not include Initial Settlement and accretions thereto.  |
| Person                             | includes high net worth individuals, corporate, financial institutions, Non-resident Indians (NRI) / Foreign Portfolio Investors (FPIs) who are eligible to subscribe to the units of the Scheme.  |
| Trustee                            | DSP Trustee Private Limited situated at The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028   |
| Trusteeship Fee                    | The Trustee shall be paid trusteeship fees of an amount not exceeding 0. 2% of the funds under management (plus GST, if any, as applicable).   |
| ITA                                | means the Income Tax Act, 2025, as amended and restated from time to time and rules prescribed thereunder.   |
| Investor / Contributor             | means any person, who has made or agreed to make contributions to the Scheme, by way of subscription to Class B Units, Class C Units and Class D Units or such other Class(es) of Units as the Scheme may offer and shall include a transferee, successor or permitted assignee of such Units from any such Contributor, in accordance with the provisions of the Indenture and / or the Contribution Agreement. (" <b>Investor</b> " or " <b>Contributor</b> ", which term shall include a Class A Unit Holder. In the case of U.S. Persons, the Investors / Contributors must qualify as both "accredited investors," as defined in Rule 501 of Regulation D adopted under the "1933 Act". In addition, all investors that are not U.S. Persons must be "Non-United States Persons" as defined in CFTC Rule 4.7 (unless waived by the Investment Manager). |
| Term of the Scheme                 | The Scheme is open ended and shall continue until wound up by the Trustee in consultation with the Investment Manager.   |
| Units and Classes of Units offered | Unit means one unit of such par value, of such Class representing such rights and interest, including right to distributions from the Net Assets in accordance with the Contribution Agreement.<br><br>Class with respect to Units of the Scheme means a class or category of Units, as distinct from another class or category of Units, wherein each Unit of one particular class or category represents identical rights and interest vis-à-vis the Scheme, and is distinct from the rights and interest of the other class(es) or categories of Units vis-à-vis the Scheme.  |

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| Series           | <p>The Units may be divided into multiple Series to equitably reflect the different fees payable by certain Unit holders as a result of the purchase of Units by Unit holders at different times during the year. The initial series will be designated as “Series One” and each subsequently issued series will be numbered sequentially.</p>  |
| Direct Plan      | <p>Class C is the Class designated as direct plan for investment in the Fund.</p> <p>The said Class shall be available to such Investors who come into the Fund directly and/or through a SEBI registered intermediary which is separately charging a fee from such Investor (such as advisory fee or portfolio management fee).</p> <p>Such Class shall not entail any placement fee / distribution fee directly or indirectly.</p>  |
| Scheme Structure | <p>Class A Unit means one unit of face value of Rs. 100/- (Rupees Hundred only) each, representing Class A entitling rights and interest, including right to Net Distributions to DSP Asset Managers Private Limited /any of the Sponsors against the minimum investment amount as prescribed by the SEBI Regulations, in accordance with the terms and conditions set out in the Contribution Agreement. Accordingly, as per the current SEBI Regulations, DSP Asset Managers Private Limited / any of the Sponsors (being the Manager/Sponsor, as the case may be, of the Scheme) shall subscribe to Class A Units which shall be at least 5% of the Scheme Size or INR 10 Crores (Rupees Ten Crores only), whichever is lower.</p> <p>Class B Unit Class C Unit and Class D Units means one unit of face value of Rs. 100/- (Rupees Hundred only) each, representing Class B, Class C and Class D, respectively, entitling rights and interest, including right to Net Distributions to the Unit Holders against their respective Capital Commitment, in accordance with the terms and conditions set out in the Contribution Agreement.</p> <p>Class D Units means Units that will be allotted to employees and/or directors of the Investment Manager, investing equal to INR 25,00,000 (Indian Rupees Twenty-Five Lakh) or above having face value of Rs. 100/- (Rupees Hundred only) each, entitling rights and interest, including right to Net Distributions to the Unit Holders against their respective Capital Commitment, in accordance with the terms and conditions set out in the Contribution Agreement.</p> <p>Class C and Class D shall not entail any Distribution Fee directly or indirectly.</p> <p>Additional Classes of Units: The Scheme shall be entitled to issue additional class(es) of Units.</p> |
| Side Letters     | <p>Subject to the Applicable Law, the Trustee or the Investment Manager, without further act, approval or vote of a Contributor, may from time to time enter into letter agreements or other similar agreements (collectively, “<b>Side Letters</b>”) with one or more Contributors which <i>inter alia</i> provide such Contributors with differential rights as given below.</p> <p>The basis on which commercial terms and non-commercial terms may be agreed under the Side Letter <i>inter alia</i> include the following:</p>   |

- i. commitment amount (as decided by the Trustee or the Investment Manager) to be received from a Contributor (I) who is an individual either singly or combined along with his/her family members (executing separate contribution agreement), or (II) that is a company including two or more companies belonging to the same group of companies (executing separate contribution agreement),
- ii. contributors routing their applications through a same placement service agent (executing separate contribution agreement),
- iii. type of investors such as pension funds, provident funds, sovereign funds, Family Trust/office, High Net Worth Individuals etc.

In terms of SEBI circular no. SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175 dated December 13, 2024 on Pro-rata and pari-passu rights of investors of AIFs read with Implementation Standards for offering of differential rights to select investors of an AIF, any investor meeting the above eligibility criteria may opt to avail such differential right as listed below.

**A) Commercial terms:**

Basis the above criteria, certain Contributor/s *inter alia* may be charged a lower Management Fee, hurdle and performance fee (if applicable) than as otherwise charged to the other investors or offer exclusive class of units with higher profit allocation in comparison to other classes

**B) Non-commercial terms:**

Basis the above criteria, certain Contributor/s may be offered *inter alia* the following non-commercial terms.

- Information rights

In addition to the above, the Investment Manager may agree to grant “Most Favoured Nation” right to certain Contributor/s.

However, the Investment Manager or Trustee will not be required to offer such additional and/or different rights and/or terms to any or all of the other Contributors.

It is hereby clarified that nothing in the terms of Side Letters shall have any adverse impact on the economic or any other rights of other investors. Further, nothing under the Side Letters shall alter the rights of the other investors available to them under their respective contribution agreements.

Unit Holders

The Trustee and Investment Manager will not be under the obligation to disclose the contents of the Side letter to other Contributors.

means collectively, holders of Class A Units, Class B Units, Class C Units and Class D Units or such other classes of units as may be issued by the Scheme from time to time.

Securities and Issuer  
/ Investee Company

In order to achieve the investment objective, the Scheme will, subject to applicable law, primarily invest in Indian equity securities, including, but not limited to equity of listed companies, derivatives like futures, options and other complex or structured products. The Scheme will also invest in debt and money market instruments like short term deposits with banks, treasury bills, TREPs, commercial papers, certificates of deposits, bonds (including convertible bonds and warrants), NCDs, Government Securities and units of debt mutual funds as may be permitted by SEBI and / or Reserve Bank of India (“RBI”) from time to time. To the extent permitted by applicable law, the Scheme may also invest in securities / interests of foreign companies/ body corporates / partnerships / other persons resident outside India. In line with SEBI Circular no. SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018 on physical settlement of stock derivatives, the Scheme has enabled the Securities Lending and Borrowing (“SLB”) mechanism, so that the scheme can borrow to cover a short position and avoid settlement failure, hedging of futures & options positions.

Investee Company means companies, special purpose vehicles, limited liability partnerships, body corporates or other permissible entities / enterprises in which the Scheme may invest, either directly or indirectly, from time to time in accordance with the investment objectives and policies of the Scheme, the SEBI Regulations and the Indenture.

Investment Manager

The Scheme has appointed DSP Asset Managers Private Limited, a company incorporated under the laws of India as the investment manager (“**Investment Manager**”). DSP is one of the premier asset management companies in India that was incorporated on May 13, 1996, to carry on asset management for mutual/investment funds and/or institutional investors. DSPIM has demerged and transferred its asset management business to another DSP group entity i.e., DSP Asset Managers Private Limited (“DSPAM”) effective April 01, 2023, pursuant to a scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013.

The Investment Manager is responsible for managing and administering the Scheme’s Investments in accordance with the Scheme’s investment objective and investment strategy.

For more information about the Investment Manager, please refer to Section titled “Management, Administration and Operations”.

Investment objective  
and strategy of the  
Scheme

The Scheme seeks to maximise long term risk-adjusted returns through the use of a long and / or short equity strategy from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India.

The total gross exposure on account of long and short positions in the Scheme cannot exceed 200% of the Net Assets.

In order to achieve the investment objective and policy, the Scheme will invest in a variety of investment strategies and instruments. It intends to take full advantage of

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|                                      | <p>the ability to invest in derivatives providing synthetic long and / or synthetic short positions with the aim of maximising positive returns.</p>  |
| Investment policies and restrictions | <p>Please refer to Section titled “Investment Objectives and Policy”.</p>   |
| Offering                             | <p>The Fund is offering through a private placement Units for subscription aggregating to Indian Rupees 100 crores, although the Fund reserves the right to accept Capital Commitments less than or in excess of such amount, subject to collection of the minimum Scheme Size.</p>   |
| Capital Commitment                   | <p>Total amount that a Contributor agrees in writing, to contribute to the Scheme by way of subscription to Units of the Scheme in terms of the Contribution Agreement. The Capital Commitment shall be paid by the prospective investor upfront, upon signing of the Contribution Agreement.</p> <p>The minimum Capital Commitment shall be INR 1 crore (Rupees One Crore only) per investor.</p> <p>The minimum investment amount for directors and employees of the Investment Manager shall be INR 25 lacs (Rupees Twenty Five Lacs only).</p>  |
| Closing                              | <p>Closing means the obtaining of Capital Commitments by the Scheme from the Contributors in accordance with the terms of the Contribution Agreement(s) and as may be determined by the Investment Manager in its sole discretion.</p>  |
| Temporary Instruments                | <p>For provisions regarding temporary investments by the Scheme refer to the Section entitled “Investment Objectives And Policy”.</p>   |
| Subsequent subscription              | <p>The Trustee and / or the Investment Manager may at their sole discretion accept further Capital Commitments by way of subscription to Units of the Scheme on a Dealing Day after the initial offering period. Such subscription may be offered at par (face value of Rs. 100/- per unit) or at the prevailing NAV of such units as of the relevant Valuation Day. Units issued after the initial offer period shall be denominated as separate Series for purposes of accruing Management Fee and Performance Fees applicable to such Units (or for other purposes in the Fund’s discretion). The Trustee / Investment Manager, at their discretion, may issue fractional Units. The Fund may consolidate different Series of Units into a single Series at any time without the approval or consent of Unit holders; provided, that the consolidation will have no adverse impact on the Management Fee payable or Performance Fee payable or expenses attributed as to any Unit holders.</p> <p>Existing Contributors may decide to participate in subsequent closing(s) for subscribing to fresh Units of the Scheme, in addition to the Units subscribed to by such Contributors against the initial capital contribution, and such additional capital contribution by the existing Contributor shall not be less than INR 25 lacs (Rupees Twenty Five Lacs only).</p> |

Subscription procedure Each Contributor to the Units of the Scheme agrees to make upfront contributions to the Scheme in accordance with the procedure laid down in the Contribution Agreement.

Switch The Investment Manager also acts as the asset management company to various schemes of the DSP Mutual Fund. Subject to applicable laws and at the discretion of the Investment Manager, a Contributor who is also an investor of any scheme of the DSP Mutual Fund, may instruct the Investment Manager by way of a mandate or instruction letter to liquidate or redeem units held by such Contributor in one or more schemes of the DSP Mutual Fund for the purposes of honouring Capital Commitment made in relation to this Scheme. For the avoidance of doubt, such option is available to any Contributor who is either an existing investor of a scheme of the DSP Mutual Fund as on the date of its Contribution Agreement or subsequently becomes an investor of a scheme of the DSP Mutual Fund. The foregoing option shall automatically lapse in the event the Investment Manager ceases to manage the Scheme or the relevant schemes of the DSP Mutual Fund. A Contributor who wishes to make the foregoing election will be required to execute such additional documents or instruction letters or mandates as the Investment Manager deems appropriate. Any liquidation or redemption of units of a scheme of the DSP Mutual Fund and application towards contributions to the Scheme shall be subject to compliance with law, including laws and regulations relating to anti-money laundering and KYC.

Further, subject to applicable laws and at the discretion of the Investment Manager, a Contributor to this Scheme may also liquidate or redeem units held under this Scheme to make contributions to any other scheme of the Fund/ eligible schemes of DSP Mutual Fund, directly, by way of mandate or instruction letter as specified by the Investment Manager. In the same vein, a contributor of any other scheme of the Fund managed by the Investment Manager may instruct the Investment Manager to liquidate or redeem units held by such contributor in one or more schemes of the Fund for the purposes of honouring Capital Commitment made in relation to this Scheme, directly, by way of a mandate or instruction letter. A Contributor who wishes to make the foregoing elections will be required to execute such additional documents or instruction letters or mandates as the Investment Manager deems appropriate. Any liquidation or redemption of units of a scheme of the Fund and application towards contributions to the Scheme and vice versa shall be subject to compliance with law, including laws and regulations relating to anti-money laundering and KYC.

Beneficiary and Calculation of Beneficial Interest Beneficiary means a Contributor who has made contributions to the Scheme, by way of subscription to the Units of the Scheme, and shall include a transferee, successor or permitted assignee of such Units from any such Contributor, in accordance with the provisions of the Indenture and / or the Contribution Agreement.

Beneficial Interest vis-a-vis the Scheme means the proportionate interest held by each of the Beneficiaries in the Scheme calculated on the basis of the formula provided in the Indenture, on the basis of which the Net Distributions available to the Scheme which the Beneficiaries shall be entitled for distributions is determined.

All distributions on behalf of the Scheme shall be made to the Beneficiaries as per their Beneficial Interest. The Beneficial Interest of the Beneficiaries shall be evidenced

by the number of Units held by the Beneficiaries (in the capacity of being a Contributor) from time to time.

The right of the Beneficiaries to share in the assets of the Scheme shall, at all times, be as per the Beneficial Interest and all distributions on behalf of the Scheme shall be made by the Trustee to the Beneficiaries as per their Beneficial Interest

- Net Assets** Means, in respect of the Scheme, the net assets of the Scheme, computed by deducting all obligations and liabilities of the Scheme from the value of assets forming part of the Scheme including the investments of the Scheme.
- Net Asset Value or NAV** The Net Asset Value of each Class/Series shall be the value of all the assets less all the liabilities, attributable to that Class / Series, determined in accordance with the details provided in Annexure A titled "Valuation & NAV Calculation".
- Management Fee** The Scheme will pay Management Fees to the Investment Manager at an annual rate on the Net Asset Value as mentioned in the below fee structure table prior to charging of fees, costs and expenses, applicable taxes and Performance Fees. Other government duties and levies (like GST etc.), excluding income tax will be charged over and above the Management Fees.

| <b>Fee Structure – Class A</b>   |                               |   |  |
|--|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>  | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| 5% of the Corpus or INR 10 Crores (Rupees Ten Crores only), whichever is lower (as per the Regulations)  | 0.75 % ^                      | 0.25 % ^  | 1.00 % ^   |
|  | 0.25 % #                      | 0.25 % #  | 0.50 % #   |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc |                               |   |  |
| ^ Applicable on old investments done till April 2023   |                               |   |  |
| # Applicable on new investments after April 2023   |                               |   |  |

| <b>Fee Structure – Class B</b>              |                               |   |  |
|---|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>   | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| >= INR 1 crore to < INR 5 crores (Class B1) | 1.75 %                        | 0.25 %  | 2.00 %   |

|   |        |        |        |
|---|--------|--------|--------|
| >= INR 5 crores but < INR 10 crores (Class B2)  | 1.25 % | 0.25 % | 1.50 % |
| INR 10 crores and above (Class B3)  | 0.75 % | 0.25 % | 1.00 % |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc. |        |        |        |

| <b>Fee Structure – Class C (Direct Plan)</b>  |                               |   |  |
|---|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>   | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| >= INR 1 crore to < INR 5 crores (Class C1)   | 0.50 %                        | 0.25 %  | 0.75 %   |
| >= INR 5 crores but < INR 10 crores (Class C2)  | 0.40 %                        | 0.25 %  | 0.65 %   |
| INR 10 crores and above (Class C3)  | 0.25 %                        | 0.25 %  | 0.50 %   |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc. |                               |   |  |

| <b>Fee Structure – Class D</b>            |                               |   |  |
|---|-------------------------------|---|--|
| <b>Capital commitment by the investor</b> | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| INR 25 lakhs and above                    | 0.25 %                        | 0.25 %  | 0.50 %   |

\* Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc.

The level of Management Fee payable shall vary according to the Class of Units.

The Management Fee shall be charged on a daily basis or at such other frequency as the Investment Manager may, at its sole discretion, deem appropriate

**Hurdle Rate** Means a return on Reference Price of the relevant financial year to be calculated at the rate of 9% (nine per cent) per annum.

**Performance Fee** In addition to the Management Fee, Performance Fee may be payable to the Investment Manager out of each Class of Units, in addition to other fees and expenses mentioned in this Private Placement Memorandum.

The Performance Fee will be calculated at the end of every Financial Year ("**Performance Period**") on a unit-by-unit basis so that each Unit is charged a Performance Fee which equates fairly with that Unit's performance. The Performance Fee applicable to subscriptions (including subsequent subscriptions) received shall be subject to a "high water mark" procedure as described below.

At the end of each Performance Period, the Performance Fee shall be an amount equal to 20% of the appreciation in the NAV per Unit (before accrual or deduction of the Performance Fee) over the Hurdle NAV (defined herein below) per Unit. The Performance Fee will be subject to the "high water mark" mechanism described below. No Performance Fee shall be paid to the Investment Manager unless; a minimum return of 9% per annum over the Reference Price is made in the relevant Performance Period.

Secondary transfer of Unit during a Performance Period will not be taken into account when determining the amount of Performance Fee payable for that Performance Period. Prospective investors are therefore expected to factor the Performance Fee while negotiating the price for secondary transfer and seek clarifications, if any, from the Investment Manager on the computation and payment of Performance fee.

Performance fee calculation as per High Water Mark mechanism is as described herein below:

"High Water Mark NAV" means, with respect to any Units subscribed:

- **For the first Performance Period:** The subscription price
- **For subsequent Performance Periods where Performance Fee is charged in the immediately preceding Performance Period:**
  - The closing NAV at the end of the last Valuation Day or
  - Hurdle NAV of such immediately preceding Performance Period, whichever is higher.
- **If Performance Fees is not charged in the immediately preceding Performance Period:** Then the High Water Mark NAV of such immediately preceding Performance Period.

“**Hurdle NAV**” means, with respect to any Units subscribed, the NAV per Unit of such Units arrived at as a return of

- 9% (Hurdle Rate) for units in existence for one year
- 9% (Hurdle Rate) pro-rata for the holding period Over the Reference Price (defined below) in the relevant Performance Period.

“**Reference Price**” with respect to any Units subscribed, for the relevant Performance Period shall be the higher of

- Opening NAV of such Units or
- High Water Mark NAV applicable for such Performance Period.

The Performance Fee will be paid to the Investment Manager when gains exceed the Hurdle NAV in the relevant Performance Period.

Please refer Annexure D to this Private Placement Memorandum (‘PPM’) for illustrations and details of fees, charges and expenses paid by the Scheme.

Directors and employees of the Investment Manager may pay reduced or no Performance Fee.

**Distribution Fees**

The Scheme or Investment Manager may use the services of placement agents or other distributors from time to time, to source investors for the Scheme. Such placement agents and/or distributors shall be paid a Distribution Fee of up to 85% of the Management Fees on the average Net Asset Value of the investments made by such Investor.

The particulars of the Distribution Fees applicable to each Investor shall be specifically disclosed in the application form which forms part of the Contribution Agreement entered into with the respective Investor.

Such Distribution Fee shall be paid only from the Management Fees received from the Scheme and on equal trail basis.

No upfront Distribution Fee shall be charged to the Scheme directly or indirectly.

**Borrowings and Leverage**

and The Scheme may engage in leveraging using derivatives on such terms and conditions as set out in the Indenture and in accordance with the investment objectives and policies of the Scheme. Provided, such leverage shall be subject to SEBI Regulations.

The Scheme shall disclose information regarding the overall level of leverage employed, the level of leverage arising from borrowing of cash, the level of leverage arising from position held in derivatives or in any complex product and the main source of leverage in the Scheme to the Contributors and to SEBI periodically, as may be specified by SEBI.

The Scheme may use leverage for any purpose, including, without limitation, as part of its investment program as described herein, to finance investments and in connection with making distributions in respect of redemptions.

The Scheme's level of investment exposure may in aggregate exceed its NAV due to the use of financial derivative instruments. Leverage is where a Scheme's investment exposure exceeds its Net Asset Value. It is calculated using the sum of the notional values of all of the financial derivative instruments held by the Scheme, without netting. The gross leverage of the Scheme, as defined by the ratio of the sum of the market value of the Scheme's long and short positions to the Scheme's NAV, is not expected to exceed 200% (two hundred percent).

Extinguishment and Winding up of the Scheme

The Scheme may be extinguished by the Trustee, on the recommendation of the Investment Manager and with the consent of the Supermajority in Interest of all the Unit Holders in the Scheme:

- in the event the continuation of the Fund / Scheme is in breach of applicable law;
- if it is impossible to continue with the Fund / Scheme or if the Trustee on advice of the Investment Manager deems it impracticable to continue the Fund / Scheme. The Fund will continue for such period of time as may be necessary to liquidate existing investments in an orderly manner in accordance with the Applicable Laws;
- where the purpose of the Fund / Scheme has been fulfilled.
- If the SEBI directs winding up of the Scheme or the Fund in the interest of the Beneficiaries;
- If the Fund / Scheme is revoked by the Contributors, the Fund / Scheme shall be extinguished in whole or in part thereof, as the case may be and the rights in the entire Scheme / Fund or that part of it specified in such written instrument shall be with the Contributors absolutely in accordance with their respective Beneficial Interest therein, except the Initial Settlement (as defined under the Indenture) which shall vest in the Indian Cancer Society. Upon revocation of the Fund / Scheme, the assets of the Fund / Scheme, or the proceeds therefrom, shall be distributed or used as follows and in the following order of priority:
  - For the payment of the debts and liabilities of the Fund / Scheme, including without limitation any amounts due to the Investment Manager and expenses of the liquidation;
  - For the setting up of any reserves which the Trustee (or such other party or body having conduct of the winding up of the affairs of the Fund) may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Fund / Scheme including any tax demand that may arise; and
  - To the Contributors in accordance with the Indenture and the terms of the Contribution Agreement.

The decision of the Trustee in this behalf shall be final and binding upon the Unit Holders.

The Fund / Scheme shall be wound up upon the occurrence of the events mentioned herein above.

Upon the happening of any of the events referred to hereinabove, the Trustee shall in consultation with the Investment Manager:

- promptly notify all Unit Holders of the impending winding up of the Fund / Scheme;
- as reasonably practicable, sell the Investments of the Fund / Scheme, and / or in the manner as the Trustee deems fit, and subject to approval of the Supermajority in Interest, the Trustee shall in specie distribute the Investments of the Fund / Scheme; and
- redeem all outstanding Units and distribute cash proceeds (net of liquidation and distribution costs and liabilities in accordance with the Indenture) and / or any remaining Investments in the Fund / Scheme to the Unit Holders subject to the Contribution Agreement to the extent applicable thereof.
- restrict further investments from being made out of the Fund / Scheme, as applicable.

Within 1 (One) year from the date of such intimation, the Investments of the Fund / Scheme shall be liquidated and the cash proceeds (net of liquidation and distribution costs and liabilities in accordance with the Indenture) accruing to the Unit Holders shall be distributed to them in accordance with the Indenture and in terms of the Contribution Agreement in cash, and subject to approval of the Supermajority in Interest, in specie distribution of the Investments of the Fund / Scheme may be made, after satisfying all liabilities.

The Net Assets of the Fund / Scheme remaining after settlement of all liabilities as on the date of dissolution shall be paid to the Unit Holders subject to the Contribution Agreement, to the extent applicable.

Expenses

Please refer to Annexure D titled "Fees and Expenses" in relation to the expenses of the Scheme.

**Conflict of Interest** Conflicts of interest may be inherent inter se the activities of the Investment Manager, the Trustee, and the Contributors vis-à-vis the operation of the Scheme. The Trustee may enter into or approve a transaction or arrangement or any investment (“**Conflicted Transaction**”) notwithstanding that it or any of its directors, officers, employees or agents or the Investment Manager, or members of the Investment Committee or any of their respective directors, officers, employees or agents or Affiliates (each person, individually or collectively referred to as “**Interested Person**”) may have any direct or indirect interest or concern in such Conflicted Transaction, *provided that* such interest or concern or conflict of interest involving the Trustee or Investment Manager shall have been disclosed in full to the Unit Holders. The Trustee shall cause the Investment Manager to establish and implement written policies and procedures to identify, monitor and mitigate the conflicts of interest on a continuous basis throughout the Term.

Such conflicts shall be endeavoured to be managed as per the provisions of the Contribution Agreement.

**Transfer of Units** The Unit Holders may transfer any of their Units, interests, rights or obligation with regard to the Scheme only after obtaining the prior written consent of the Investment Manager and subject to such transferee executing a deed of adherence to the Contribution Agreement. However, the Unit Holder shall not be entitled to pledge, encumber or create any third party rights in the Units without the prior written approval of the Investment Manager. Notwithstanding the above, the Investment Manager reserves the right to generally waive the requirements with respect to the process of Transfer of Units in the interest of investors and in compliance with of applicable laws.

**Transmission of Units** In the event of death of a Beneficiary, the Investment Manager reserves the right to transmit the Units in the name of the nominee of the deceased Beneficiary upon the nominee making an election to receive the Units. Provided that, the nominee shall be required to give the necessary undertakings in such formats as may be prescribed by the Investment Manager and to be bound by the terms and conditions of the Private Placement Memorandum and the Contribution Agreement. Such terms and conditions shall include without limitation, making contributions to the extent that no further unfunded Capital Commitments remain in respect of the Beneficiary.

In absence of the nomination, the Investment Manager may transmit the unit in the name of the legal heirs of the deceased Beneficiary upon the receipt of necessary documentary evidence to the satisfaction of the Investment Manager. The legal heirs shall have the same rights and shall be subject to the same obligations as are applicable to nominees under the paragraph above.

Subject to the applicable lock-in periods and early redemption fee (if any), the nominee/legal heir shall have the option to either redeem the Units or to have them transmitted in their name.

**Nomination** The Contributor shall have the right, by filling appropriate information in the Application Form, to nominate another person who shall be entitled to receive the proceeds in the event of the death of the Contributor.

**Redemption of Units**

For the purpose of redemption of Units, the Trustee on the advice of the Investment Manager shall allow redemption of Units at monthly intervals as set out in Annexure C titled “**Redemptions**”.

Units will be redeemed based on the NAV of such Units and redemption proceeds will be paid within 7 (seven) Business days thereof. Redemptions shall be subject to an exit load of 1% (one percent), or such other rate as may be prescribed by the Trustee on the recommendation of the Investment Manager, in case where a Unit Holder is desirous of and has requested for redemptions of the Units held by it prior to the expiry of 1 (one) year from the date of subscription of such Units. The exit load (if any) so deducted will be credited to the scheme. In certain circumstances, redemptions may be suspended in accordance with the provisions of the Indenture and the Contribution Agreement.

Upon the extinguishment or winding up of the Scheme or the Fund the Units shall compulsorily be redeemed.

Further, subject to the provisions of the Contribution Agreement, in case of request for partial redemption of Units by a Unit holder, such Unit holder shall be entitled to redeem only such number of Units, so that Capital Commitment of the Unit holder retained in the Fund does not fall below the prescribed minimum limit as provided under the SEBI Regulations.

Net Distributions

Distributions from the Scheme may be made at any time as determined by the Trustee, in consultation with the Manager, by redemption of Units or as otherwise directed by the Trustee, in consultation with the Investment Manager. Net Distributions for the purpose of distributions to the Unit Holders (“**Net Distributions**”) shall be calculated as below:

$(\text{Net Assets of the Scheme} / \text{Total outstanding Units issued by the Scheme}) \times \text{Number of outstanding Units held by the Beneficiary}$

Subject to approval of the Supermajority in Interest, the Trustee shall in specie distribute the Investments of the Fund / Scheme to the Unit Holder(s). Provided that the Class B, Class C and Class D Unit Holders shall be entitled to in specie distribution of the Investments of the Scheme only if such Class B, Class C and Class D Unit Holders continue to hold the minimum interest in the Scheme in accordance with the SEBI Regulations.

Indemnification and  
Limitation of liability

The Investment Manager shall indemnify and hold harmless, subject to the limits set out in the Investment Management Agreement, the Trustee and / or the Unit Holders against any claims, losses, cost, damages, liabilities and expenses including legal fees (“**Losses**”) incurred by them in case such Losses have resulted from the Investment Manager’s fraud, gross negligence or wilful misconduct.

To the fullest extent permitted by law, the Investment Manager shall not be liable for any act or omission of the Investment Manager in connection with the conduct of the business of the Scheme that is determined in good faith by the Investment Manager to be in or not opposed to the interests of the Scheme, unless the act or omission constitutes fraud, gross negligence or wilful misconduct on the part of the Investment

Manager and further such act or omissions should have resulted in a direct, actual and quantifiable loss. In addition, the Investment Manager shall not be liable for any indirect or consequential or notional losses or for any losses due to the gross negligence, wilful misconduct or fraud of any broker or other agent of the Scheme selected by the Investment Manager with reasonable care. The Investment Manager may consult with legal counsel or accountants selected by it, and any act or omission by it on behalf of the Scheme or in furtherance of the activities of the Scheme in good faith in reliance on and in accordance with the advice of such counsel or accountants will be full justification for the act or omission and the Investment Manager shall be fully protected in so acting or omitting to act if the counsel or accountants were selected with reasonable care.

The Scheme will indemnify and hold harmless the Investment Manager, its affiliates and their respective officers, directors, members, partners, shareholders or employees and any employees, counsel and agents dealing or transacting in the course of their respective employer – employee or other agreements or arrangements with the Scheme or members of any other board or committee, including any investment committee (if set up by the Investment Manager), if any, and any employees or agents of the Investment Manager representing the Scheme on the board of any Investee Company (collectively the “**Indemnified Parties**”) from and against any and all claims or liabilities of any nature whatsoever, including reasonable attorneys’ fees, arising out of, or in connection with, any action taken or omitted by any Indemnified Party, unless such action or omission results from such Indemnified Party’s fraud, gross negligence or wilful misconduct.

If the Investment Manager and / or the Trustee are called upon to discharge any tax liability and/or stamp duty in case of transfer each Contributor shall indemnify the Scheme to meet any such tax liability including without limitation any penalty and / or interest that may be imposed on the Scheme. Notwithstanding the indemnity obligations of the Contributor, any such tax liability may be reduced from the entitlement of the Contributor and / or recovered from the Contributor, as determined by the Investment Manager and / or Trustee. The obligation to return distributions may also continue after the Scheme has been wound up.

Any indemnity expressly given to the Investment Manager in these presents is in addition to and without prejudice to any indemnity or right of contribution allowed by Applicable Law, provided nevertheless that any provision of these presents shall be void insofar as it would have the effect of exempting the Investment Manager from or indemnifying it with respect to any liability, which by virtue of any rule of law would otherwise attach to it in respect of any wilful misconduct, fraud or gross negligence.

The Unit Holder, Trustee and / or the Investment Manager shall indemnify and keep indemnified each other from and against any and all actions, suits, claims, proceedings, costs, damages, judgements, amounts paid in settlement and expenses (including, without limitation, attorney’s fees and disbursements) relating to or arising out of:

- any inaccuracy in or breach of the representations, warranties or covenants under the Contribution Agreement or any agreement entered into pursuant to the Contribution Agreement;
- any other conduct by the Unit Holder, Trustee and / or the Investment Manager or its employees, agents or delegates as a result of which, in whole or in part,

the Unit Holder, Trustee and / or the Investment Manager (as the case may be) is made a party to, or otherwise incurs any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct; or

- any contravention of applicable law relating to any action or proceedings taken against the Unit Holder, Trustee and / or the Investment Manager in connection with any such contravention or alleged contravention by the Unit Holders, Trustee and / or the Investment Manager (as the case may be).

**Tax Refunds** If the Trustee is in receipt of undisputed tax refunds or the Trustee receives or collects any undisputed tax refunds during or after, the term of the Scheme or the tenure of holding of Units in the Scheme by a Unit Holder, then the Unit Holder(s) shall receive the tax credits / tax refunds as per the eligibility of the Unit Holders as determined by the Investment Manager and / or the Trustee. Accordingly, the Investment Manager shall identify the eligible Unit Holders for receiving the tax credit(s) or refund(s) and consequently make payments to them, even if the Scheme has been wound up.

**Simple majority in Interest** in respect of the Scheme means such number of Unit Holders, in respect of whose Units, the then prevailing value of their aggregate outstanding Capital Commitment, amounts to at least 66.66% (sixty six point six six per cent) of the aggregate of the then prevailing value of all the Capital Commitment in the Scheme.

**Supermajority Interest** in respect of the Scheme shall mean such number of Unit Holders, in respect of whose Units, the then prevailing value of their aggregate outstanding Capital Commitment, amounts to at least 75% (seventy five per cent) of the aggregate of the then prevailing value of all the Capital Commitment in the Scheme.

**Valuation** The NAV of the Scheme, the NAV per Unit and Class of Units will be calculated by such person or entity as may be determined by the Investment Manager. In determining the NAV per Unit or of each Class of Units, such person or entity as may be appointed for the purpose, will follow the valuation rules which are described under Annexure A titled "Valuation & NAV Calculation".

The Trustee shall, through the Investment Manager cause valuation of the Investments of the Scheme, at regular monthly intervals on the Valuation Day in accordance with the valuation policy approved by the Trustee and the SEBI Regulations.

**Business Day** Means any day, which is not a Saturday, Sunday or a day on which the banks or stock exchanges in India are authorised or required by applicable laws to remain closed or such other events as the Investment Manager may specify from time to time.

**Valuation Day** Means the day on which the valuation of the Scheme shall be undertaken, which shall be the last Business Day of each month of a Financial Year ("**Valuation Day**").

Provided however that, the Valuation Day for the last month of a Financial Year will be last calendar day of that month, which may or may not be a Business Day.

|  |  |
|--|--|
| Dealing Day  | Means the Valuation Day of each month, on which Unit Holders shall be allowed redemption of Units held by them, and / or when Subsequent Subscription for Units may be accepted by the Trustee and / or the Investment Manager at its sole discretion.   |
| Risk factors                                       | An investment in the Scheme involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment. There can be no assurance that the Scheme will achieve its investment objective. An investment in the Scheme carries with it the inherent risks associated with investments in securities and other instruments. See Sections of this Private Placement Memorandum on “Risk Considerations and Other Disclosures”. Each prospective investor should review the Private Placement Memorandum and the agreements referred to herein before deciding to invest in the Scheme. |
| Reporting  | <p>The Trustee, by itself or through the Investment Manager, shall file and / or cause to file such reports, as may be, from time to time prescribed or required by any authority in accordance with Applicable Law.</p> <p>The Trustee shall cause the Investment Manager to periodically provide the Unit Holders such reports as may be required to be provided in accordance with the SEBI Regulations and Contribution Agreement, including monthly reports on NAV, details and disclosures regarding any and all risks to the Investments of the Scheme and the manner in which these risks are being managed, annual reports including audited financial statements of the Scheme.</p>        |
| Unit Certificate                                   | means certificates which may be issued by the Trustee / Investment Manager to Contributors specifying the number of Units held by the Contributors and evidencing a Beneficial Interest in the Scheme.   |
| Statement of Accounts and register of Contributors | Statement of accounts, as may be issued by the Trustee to a Unit Holder specifying the number, class and other details in respect of Units held by the Unit Holder in the Scheme and in accordance with the Contribution Agreement and the SEBI Regulations. The Investment Manager / Trustee, may if so required by the Contributors, issue Unit Certificates in lieu of Statement of Accounts in line with the provisions specified in the contribution agreement..  |
| Scheme Documents                                   | Indenture of Trust, Contribution Agreement and Private Placement Memorandum.   |
| Regulatory Matters                                 | The Scheme / Fund will not register as an investment company under the Investment Company Act. The Scheme will seek to rely on an exemption from registration under the Investment Company Act pursuant to an exemption set forth in Section 3(c)(1) thereof. The Investment Manager is not currently registered as an investment adviser under the Advisers Act, but may do so, in its discretion, in the future.   |
| Initial Public Offerings                           | The Scheme may at times purchase “new issues” as defined in FINRA Rule 5130 (“Rule 5130”). The sale and purchase of new issues is regulated by Rule 5130 and FINRA Rule 5131 (“Rule 5131”). Rule 5130, with certain exceptions, generally prohibits FINRA members and their associated persons from, among other things, selling any new issue securities to any FINRA member or other broker/dealer, to any associated person of a FINRA member or other broker/dealer, to any person who has   |

authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment adviser, or collective investment account, or to certain other restricted purchasers (collectively, "Restricted Persons").

In certain limited circumstances, Rule 5130 permits Restricted Persons to participate indirectly in profits and losses from new issues as beneficial owners of certain exempt accounts and entities or of otherwise "qualified accounts" (as described herein), or to receive a de minimis amount of such new issues profits and losses. Each prospective Investor who wishes to invest in the Scheme must provide information demonstrating whether such prospective Investor is a Restricted Person, an exempt account or entity, or otherwise not a Restricted Person.

In addition to Rule 5130, the Scheme must also determine if any Investors are prohibited from participating in profits and losses from new issues pursuant to Rule 5131. The anti-"spinning" provisions of Rule 5131 generally prohibit a FINRA member from allocating new issues to an executive officer or director of certain public or non-public companies, or a person materially supported by such executive officer or director, where, among other things, such FINRA member performs or is expected to perform investment banking services for any such company. Investors that are restricted pursuant to Rule 5131 may be prohibited from receiving new issues profits and losses as determined by the Investment Manager in its sole discretion.

ERISA and Other Benefit Plan Considerations

Employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), individual retirement accounts ("IRAs"), Keogh plans and other benefit plans may subscribe for Units in the Scheme. The Scheme does not intend to permit investments by "benefit plan investors", as defined in Section 3(42) of ERISA and applicable regulations of the Department of Labor as modified by Section 3(42) of ERISA, (the "Plan Asset Rules" and "Benefit Plan Investors") to equal or exceed 25% of the value of any class of Units in the Scheme as calculated under the Plan Asset Rules, but reserves the right to do so at any time. Trustees, administrators and other fiduciaries investing assets of such plans are urged to carefully review the matters discussed in this Memorandum and to consult their own legal advisors. See "9. Taxation- ERISA and Other Benefit Plan Considerations".

Stamp Duty

Pursuant to Notification No. S.O. 4419(E) dated December 10, 2019 read with notification no. S.O. 115(E) dated January 08, 2020 and notification no. S.O. 1226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, applicable stamp duty would be levied on issue, transfer and sale of units of AIFs, with effect from July 1, 2020. In line with Chapter 18 of SEBI Master Circular all AIFs to comply with the applicable provisions of the Indian Stamp Act, 1899 and the Rules and inter alia has directed all AIFs to appoint registrars to an issue and/or share transfer agents registered with SEBI. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions to the unit holders would be reduced to that extent. In case of transfer of units, applicable stamp duty may be levied on the transferor of units based on consideration amount.

It shall be the responsibility and liability of the transferor to pay the applicable stamp duty for transfer of units as per the provisions of the Indian Stamp Act, 1899 and the

rules made thereunder, and transferor shall be liable to indemnify the Fund/AMC/Trustees against any and all liabilities resulting from shortfall/interest/demand raised/penalties imposed by the respective authorities on the payment of stamp duty for transfer of units.

Illustration for computation of stamp duty in case of allotment of units

|  |                              |
|--|------------------------------|
| Amount received from investor towards purchase                               | 10,000,000/-                 |
| Stamp Duty computation at 0.005%   | 10,000,000/100.005*<br>0.005 |
| Stamp Duty Amount (rounded off to 2 decimal places)                          | 499.98                       |
| Amount available after stamp duty deduction for which units will be allotted | 9,999,500.02                 |
|  | (10,000,000 minus<br>499.98) |
| Units Allotment assuming a NAV of Rs 100/- per unit                          | 99,995.100                   |

Confidentiality

The Contributors will be required to keep confidential all matters relating to the Fund, the Scheme and its affairs, except as otherwise permitted under the Scheme Documents.

Auditor

M/s. MSKA & Associates (Member firm of BDO International)

Custodian

The Hongkong and Shanghai Banking Corporation Limited

Legal Advisors

IC RegFin Legal Partners LLP

Merchant Banker

Socradamus Capital Private Limited

Financial year and Financial Quarter of the Scheme

**“Financial Year”** means the period from the 1<sup>st</sup> April of a year to March 31<sup>st</sup> of the following year provided that the first Financial Year shall commence on the First Subscription Allotment Date and end on the following March 31<sup>st</sup>. **“Financial Quarter”** means the quarter ending on 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March of each Financial Year.

Non-Resident Indian (NRI)

NRI means an individual resident outside India who is citizen of India or is an ‘Overseas Citizen of India’ cardholder within the meaning of section 7A of the Citizenship Act, 1955.

Foreign Portfolio Investor /FPI

Foreign Portfolio Investor means a person who satisfies the eligibility criteria prescribed under regulation 4 and has been registered under Chapter II of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, which

shall be deemed to be an intermediary in terms of the provisions of the Securities and Exchange Board of India Act, 1992.

|                             |  |
|-----------------------------|--|
| Time periods                | In any situation where a Contributor or a prospective Contributor is required to provide any election, notice, document, agreement, letter or any confirmation, material or information, whether or not in writing, (in each case referred to as “ <b>Required Document</b> ”) within a stipulated time period or in advance of a specified date, and a Contributor or a prospective Contributor does not provide the Required Document within such time period or by such date, the Investment Manager may, in its discretion, accept or reject delivery of such Required Document. |
| Power to remove ambiguities | Trustees shall have the power to remove any ambiguities that may arise with respect to any principal terms, their application, process and/or applicability of laws or rules among other things.   |
| Dematerialisation of Units  | Pursuant to Regulation 10(aa) of AIF Regulations, AIFs shall issue units in dematerialized form subject to the conditions as specified by in Chapter 20 of SEBI Master circular, existing AIFs with a corpus of less than INR 500 crore as on October 31, 2023, will have to dematerialize their units by April 30, 2024. Effective May 01, 2024, the issuance of units shall only be in dematerialized form, subject to the conditions specified by SEBI from time to time.   |

Instructions, Terms & Conditions for issuance of units in dematerialised form :

- i. Allotment of units towards the subscription made shall only be in demat mode
- ii. To issue units in demat form, Investors are required to have a demat account with the Depository Participant (DP) registered with NSDL/CDSL.
- iii. Investors have to mandatorily provide their demat account details (ie. DP name, DPID number, Client ID, etc) in application form.
- iv. Investors should also attach a copy of either Client Master List / Transaction Holding Statement / Delivery Instruction Slip (DIS) to verify the demat account details provided in the application form.
- v. The sequence of names/pattern of holding as mentioned in the purchase request must be same as that in the demat account. Units shall be credited to the investors' demat account only after the funds are credited into the AIF scheme(s) account to the satisfaction of the Investment Manager.
- vi. In case the Demat account details are not provided or the details are incomplete or the details do not match with the records as per Depository (ies), such application are liable to be rejected.
- vii. The investors should check their Demat account statement for credit of the units allotted within 20 working days of the dealing day. In case the units are not credited, the investor shall immediately intimate the same to the Investment Manager.

- viii. Investors cannot do a transfer of units held in their demat account to any other person by giving an off market transfer request to their Depository Participants (DPs). They have to mandatorily approach the Investment Manager with a request for transfer of units with all the Required Documents and the transfer of units can be carried out only after approval of the Investment Manager and completion of all the required documentary procedures.
- ix. As the units in AIF schemes are to be mandatorily issued/held in Demat form, the units cannot be converted into a non-demat or physical mode by submitting a rematerialization request to the Depository Participants.
- x. As the units are held in demat mode, details of nominee, bank account will be as per the details provided/updated in the demat account and as per depository records. Any payment towards redemption, distribution will be paid to the bank account available in the demat account.
- xi. In the event of death of a Beneficiary, nominee as per the demat account of the deceased Beneficiary shall approach the Depository Participant to transfer the units in their name and also inform the Investment Manager along with necessary documents/ undertakings in such formats as may be prescribed by the Investment Manager to transfer the units in the name of the nominee.
- xii. Units already issued by scheme to existing investors who have not provided their demat account details, shall be credited to a separate demat Account named "Aggregate Escrow Demat Account" which shall be held for the Sole purpose of holding demat units of AIFs on behalf of investors. Any New units to be issued in demat form shall be allotted to such investors and credited to the Aggregate Escrow Demat Account.
- xiii. As and when such investors provide their demat account details to the Investment Manager, their units held in Aggregate Escrow Demat Accounts shall be transferred to the respective investors' demat accounts within 5 working days.

### 3. STRUCTURE

#### Fund

DSP Alternative Investment Fund Category III (“**Fund**”) has been constituted as a trust vide Indenture of Trust dated May 28, 2013 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). DSP Trustee Private Limited has been appointed as the Trustee. The Indenture of Trust has been registered under the Indian Registration Act, 1908. The Fund has its registered office at The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028

The Fund has including this scheme, till date, launched eight schemes namely, DSP Emerging Stars Fund, a close ended scheme which got matured on January 13, 2021), DSP India Enhanced Equity SatCore Fund, an open ended scheme, DSP AIF Pharma Fund, a close ended scheme (which got matured on November 06, 2019), DSP Core Fund, a close ended scheme (which got matured on October 27, 2022), and DSP High Conviction Fund, a close ended scheme, DSP High Conviction Fund Series 2, a close ended scheme, DSP India Enhanced Equity Fund, an open ended scheme (which got wound up on September 22, 2025) and DSP Bharat Nirman Fund, an open ended scheme (collectively referred to as “**schemes**”). It is clarified that past performance of the settlor / investment manager / trustee/schemes is not an indication/should not be considered as a benchmark, of the future performance of the Scheme.

#### Scheme

DSP India Enhanced Equity SatCore Fund (“**Scheme**”) is a long short equity fund that seeks to maximise long term risk-adjusted returns from a portfolio that is substantially constituted of equity securities and equity related securities of issuers/ investee companies domiciled in India.

#### Change in Fundamental Attributes of the Scheme

In case of material changes to Fund or the Scheme which results in a change in the fundamental attributes of the Fund / Scheme and the Private Placement Memorandum which results in significantly influencing the decision of the Unit holders to continue to be invested in the Scheme, the process as stipulated by SEBI shall be complied with.

Such changes shall include, but not be limited to the following:

- a. Change in Sponsor / Manager (not including an internal restructuring within the group);
- b. Change in control of Sponsor / Manager; and
- c. Change in fee structure or hurdle rate which may result in higher fees being charged to the Unit holders.

However, the process for exit to the Unit Holders as prescribed under the SEBI Regulations shall not apply in cases where the Fund has approval of Supermajority in Interest.

#### Investment Manager

DSP Asset Managers Private Limited (“**DSPAM**” or the “**Manager**” or the “**Investment Manager**”) acts as the investment manager to the Scheme launched by the Fund. The following are details of other business activities and regulatory registrations of the Investment Manager:

- DSPAM is the asset management company to DSP Mutual Fund. DSP Mutual Fund has been constituted as a trust on December 16, 1996 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). DSP ADIKO Holdings Private Limited and DSP HMK Holdings Private Limited are the Sponsors, and DSP Trustee Private Limited is the Trustee. The Trust deed has been registered under the Registration Act, 1908. The mutual

fund was registered with SEBI on January 30, 1997 under the Registration Code MF/036/97/7. DSPAM also acts as an Investment Manager to DSP Alternative Investment Fund Category -II.

- DSPAM provides investment management and trade execution related services to offshore sovereign funds.
- DSPAM is the holding company and also act as a Sponsor to DSP Pension Fund Managers Private Limited (“DSPPFM”). Further, in terms of Regulation 21 of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time, SEBI has granted No objection to DSPAM to undertake the Point of Presence business through DSPPFM.
- DSPAM is the holding company to DSP Fund Managers IFSC Private Limited (“DSP IFSC”). Subject to regulatory approvals, DSP IFSC will provide investment management and advisory services to Funds set up under IFSCA (Fund Management) Regulations, 2022. DSP Fund Managers IFSC Private Limited is wholly owned subsidiary of DSP Asset Managers Private Limited. It is registered with International Financial Services Centres Authority (‘IFSCA’) as a registered Fund Management Entity (Retail) vide registration number IFSCA/FME/III/2023-24/021. Further, DSPAM also provides non-binding advisory services to DSP IFSC in accordance with Regulation 21 (erstwhile Regulation 24) of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time.
- The DSPAM also provides a non-binding advisory services to the offshore funds / offshore investment manager, who is managing an offshore fund which will invest through FPI route.
- DSPAM provides investment management services to DSP Global Funds ICAV, an umbrella type Irish Collective Asset-management Vehicle.

DSP is one of the premier asset management companies in India that was incorporated on May 13, 1996, to carry on asset management for mutual/investment funds and/or institutional investors. DSPIM has demerged and transferred its asset management business to another DSP group entity i.e., DSP Asset Managers Private Limited (“DSPAM”) effective April 01, 2023, pursuant to a scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013.

DSPAM manages / advises assets amounting to US\$ 25,467 Million (as at March, 2026) in various products spread across the risk reward spectrum as well as investor categories.

**The profiles of the Sponsors are as below:**

DSP HMK Holdings Private Limited

DSP HMK Holdings Private Limited was incorporated under the Companies Act, 1956 vide Co. Reg. No. 29544 dated 15th March, 1983 with the main object to make investments in various classes of assets.

The Company is registered with RBI vide Certificate Of Registration No.B-13.01798 dated 3rd June, 2005 as a Non Deposit taking Non-Banking Finance Company (NBFC). Further, a fresh Certificate of Registration No.-13.01798 dated August 07, 2024 has been issued by the RBI for conversion from Type-II to Type-I NBFC for not availing public funds and not having customer interface

Ms. Shuchi Kothari holds 99.98% shares of DSP HMK Holdings Private Limited.

DSP ADIKO Holdings Private Limited

DSP ADIKO Holdings Private Limited was incorporated under the Companies Act, 1956 vide Co. Reg. No. 29547 dated 15th March, 1983 with the main object to make investments in various classes of assets.

The Company is registered with RBI vide Certificate of Registration No.-13.01576 dated 8th March, 2002 as a Non Deposit taking Non Banking Finance Company (NBFC). Further, a fresh Certificate of Registration No.-13.01798 dated

August 07, 2024 has been issued by the RBI for conversion from Type-II to Type-I NBFC for not availing public funds and not having customer interface.

Ms. Aditi Kothari Desai holds 99.98% shares of DSP ADIKO Holdings Private Limited.

**Profile of the Trustee is as below:**

DSP Trustee Private Limited ('Trustee'), through its Board of Directors, shall discharge its obligations as trustee to the Mutual Fund.

The Trustee ensures that the transactions entered into by DSP Asset Managers Private Limited ('AMC or DSPAM'), are in accordance with the SEBI (Mutual Funds) Regulations, 2026 ('Regulations') and also reviews the activities carried on by the AMC.

**The profile of DSP Group is as below:**

DSP Group

The DSP Group based in India, promoted by the Kothari family of D. S. Purbhoodas and Co. has a track record of over 153 years, and is one of the oldest financial services firms in the country today, being one of the founding members of the Bombay Stock Exchange ("BSE"), Mumbai. Each generation of D. S. Purbhoodas and Co. has seen a partner serving as President of the BSE, bearing testimony to the long-standing position D. S. Purbhoodas & Co. occupies in the Indian financial arena.

#### **4. INVESTMENT OBJECTIVES AND POLICY**

##### **Investment Rationale**

It is the Investment Manager's belief that India's future gross domestic product growth will be strongly influenced by the ongoing process of economic reforms. The economic reforms' process involves structural changes in various sectors and companies, including, but not restricted to, encouraging private investment, de-regulation of pricing, government aided programs and a favourable change towards private ownership. The primary objective of these initiatives is to accelerate the pace of investment and therefore, attract investment capital. An increase in investment capital may result in value creation out of new investments and value unlocking out of existing investments. Such value creation is reflected through an increase in corporate profits and market capitalization. The Scheme seeks to capture this value creation potential and therefore, will endeavour to participate in the potential upside to market capitalization. With regard to economic reforms, the focus will be on companies / sectors which are likely to be affected by policy change in ownership patterns (e.g. disinvestment, increase in Foreign Direct Investment ("FDI") limits, opening of business to private sector), policy change in pricing (e.g. deregulation of price control), policy change in funding (e.g. government funded programs for upgradation of specific sectors) and any other change that may be initiated in the future as a part of economic reforms.

The Investment Manager will explore investment opportunities in both, equity and equity-related securities in commensuration with the risk and investment objective of the Scheme.

##### **Investment Objective and Strategy**

The Scheme seeks to maximise long term risk-adjusted returns through the use of a long and / or short equity strategy from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India.

The total gross exposure on account of long and short positions in the Scheme cannot exceed 200% of the net assets of the Scheme.

In order to achieve the investment objective and policy, the Scheme will invest in a variety of investment strategies and instruments.

The Scheme may in future adopt twin investment strategies, viz. Investment Strategy and Trading Strategy. Under the Investment Strategy, the Scheme may purchase securities with the intention to hold them for a reasonably long duration. Whereas under the Trading Strategy, the Scheme may intend to purchase securities to hold them for long duration and is likely to have sizeable frequency and volume of securities transactions. Under the latter strategy, the Scheme also intends to take full advantage of the ability to invest in derivatives providing synthetic long and / or synthetic short positions with the aim of maximising positive returns.

##### **Investment Process**

The Investment Manager will use a disciplined quantitative analysis of financial operating statistics. In picking out individual investment opportunities for the Scheme's portfolio, among the defined universe eligible for investment, the Investment Manager will seek both value and growth. Value is discerned when the Investment Manager believes that the long-term growth potential of a portfolio / investee company is not fully reflected in the market price of the company's securities and which potential it seeks to better every year capitalizing on its various strengths, which could mean strong brand equity, growing market share, strong management and technological excellence, among others. Growth stocks, as the term suggests, are those stocks that are currently in the growth phase. The super-normal growth could be due to a new product, a new process, growing market share, stronger brand equity, technological breakthrough and unique position in a market, among other factors.

The Investment Manager will conduct in-house research in order to identify various investment opportunities. The company-wide analysis will focus, amongst others, on the historical and current financial condition of the Issuer / Investee Company, potential value creation/unlocking of value and its impact on earnings growth, capital structure, business prospects, policy environment, strength of management, responsiveness to business conditions, product profile, brand equity, market share, competitive edge, research, technological know-how and transparency in corporate governance.

The Investment Manager will maintain the necessary documentation for each purchase of security wherein it would *inter alia* be documented as to whether such purchase was with respect to the Investment Strategy or the Trading Strategy. In respect of securities purchased under the Investment Strategy, the Investment Manager will also maintain necessary documentation for purchase of securities including the set criteria for expected returns and for sale of such securities including the rationale for divestment of such securities.

The Investment Manager will keep in mind investment restrictions applicable to FPIs and investment restrictions under the extant TISPRO Regulations (as defined hereafter), while making investment in securities.

### **Investment Guidelines**

The Investment Manager will seek to allocate the Scheme's assets to achieve attractive investment returns while also seeking to control and mitigate the principal risks of the portfolio. As individual security selections are identified and placed into the Scheme's portfolio through the Scheme's investment process, the portfolio will be managed to seek to mitigate risk and monitor balance and diversification. In addition to the general parameters described below, the Investment Manager may, from time to time, and in its discretion, adopt additional or alternative internal guidelines in order to seek to control the Scheme's risks and exposures.

At the time any investment is made by the Scheme in the Investee Company, the Investment Manager is generally expected to adhere to the following guidelines:

- (a) In line with Regulation 15(1) d and paragraph 5.1. of SEBI Master Circular, no more than 10% (ten per cent) of the Scheme's Net Asset Value (NAV) will be invested in any listed equity of an Investee Company. Scheme shall calculate the investment limit of ten per cent for investment in listed equity of an Investee Company on the Net Asset Value (NAV) of the scheme, subject to the conditions specified by SEBI from time to time.
- (b) The limit for investment in listed equity shall be calculated based on the NAV of the Scheme on the business day immediately preceding the date on which the Scheme makes such investment.
- (c) NAV of the Scheme shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.
- (d) Passive breach of concentration norm, i.e. when the market value of the investment of the Scheme in listed equity of an Investee Company exceeds the investment limit as prescribed under Regulation 15(1)(d) of AIF Regulations, shall be rectified within 30 days from the date of the breach.
- (e) The Scheme shall not invest more than ten percent of its investable funds in securities other than listed equity of an Investee Company
- (f) The gross leverage of the Scheme, as defined by the ratio of the sum of the market value of the Scheme's long and short positions to the Scheme's net asset value, is not expected to exceed 200% (two hundred per cent).
- (g) The Scheme will also invest in debt, bonds (including convertible bonds and warrants), NCDs, Government Securities and units of debt mutual funds etc., other than as may be permitted by SEBI and/or RBI from time to time, for rebalancing and liquidity purposes.
- (h) The Scheme shall not invest in units of another alternative investment fund.
- (i) The Fund shall not invest in Associates except with the approval of Supermajority in Interest. "Associate" means a company or a limited liability partnership or a body corporate in which a director or trustee or partner or Sponsor or Manager of the Fund or a director or partner of the Manager or Sponsor holds, either individually or collectively, more than 15 % (fifteen percent) of its paid-up equity share capital or partnership interest, as the case may be.

Investors should note that the guidelines described above have the potential to limit performance, and market or other conditions may dictate a need to deviate from the above guidelines from time to time. Deviations may also occur due to appreciation or depreciation of the Scheme's assets, or by reason of the receipt of rights, bonuses, benefits in the nature of capital or by reason of any other action affecting the Scheme as a holder of that investment. If a deviation occurs for any reason, the Investment Manager will seek to take reasonable steps to bring the Scheme's investment in compliance with the investment guidelines within a reasonable period of time.

Since the Scheme is expected to receive contribution from non-residents, in accordance with applicable laws, the Scheme will adhere to investment restrictions applicable to Foreign Portfolio Investors ("FPIs"), in accordance with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (especially Schedule 8 thereto) and such other Notifications as may be issued from time to time by the Reserve Bank of India.

As the Scheme seeks contributions from eligible non-residents from various jurisdictions, the regulatory authorities in certain jurisdictions may, from time to time, require the Investment Manager / Fund / Scheme / Trustee, either upfront or on reaching a certain threshold, to register with the authorities therein and/or may require the Scheme to comply with applicable investment restrictions, which may be in addition to the ones applicable as per Regulations. Such additional restrictions may have an impact on the investment strategies and/or overall performance of the Scheme.

#### **Temporary investments**

The Scheme may make temporary investments in DSP Mutual Fund schemes and fixed deposits, pending deployment of funds as per the investment objective of the Scheme and in accordance with SEBI Regulations. Also the Scheme may place G-secs, treasury bill, units of mutual funds, fixed deposits and other approved securities as margin for derivative position subject to applicable haircut rates.

## 5. RISK CONSIDERATIONS AND OTHER DISCLOSURES

Investing in the Units of the Scheme involves significant risks. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on their returns. As a result of these and other factors set forth elsewhere in this Private Placement Memorandum, there can be no assurance that the Scheme will meet its investment objectives or otherwise be able to carry out successfully its investment program. A prospective investor should only invest in the Scheme as part of an overall investment strategy and only if such prospective investor is able to withstand a total loss of its investment. Investors should not construe the prior investment performance of the Investment Manager or the key members of the investment team of the Investment Manager, or any one of them, as providing any assurances regarding the future investment results of the Scheme.

The Investment Manager hopes to mitigate this risk of loss through a careful selection of investments. However, no guarantee or representation is made that the Scheme's investment strategy will be successful. The Investment Manager will follow an investment policy, which if unsuccessful, could involve substantial losses. Although the Investment Manager has the flexibility to react to changing market conditions, adverse changes in an Investee Company's situation could involve substantial losses. The Investment Manager makes no guarantee, either oral or written, that the Scheme's investment objective will be achieved or that there will be any return of capital or other returns to investors. Under the Investment Management Agreement, the Investment Manager is not liable (i) for any error in judgment or mistake of law, or (ii) for any loss arising out of any investment or investment recommendations for the Scheme except for gross negligence, fraud or wilful misconduct by the Investment Manager.

Prospective investors should be aware of and consider all the risks associated with the Scheme's investment policies while evaluating their investment in the Scheme. The considerations and risks outlined below, while making a decision to invest in the Units of the Scheme are only indicative. Accordingly, before deciding to invest in the Scheme, the prospective investors should carefully study the specific risks described below together with all the information contained in this Private Placement Memorandum and are advised to consult with their professional advisors, such as lawyers, financial advisors or accountants, when determining whether an investment in the Scheme is suitable for them. An investment in the Scheme may lead to returns in the long-term, and prospective investors should be aware that they may not achieve capital appreciation / income in the short-term. An investment in the Scheme involves certain considerations and moderate to high risks. Additional risks and uncertainties not presently known to the Scheme or the Trustee or the Investment Manager, or that it currently deems immaterial may also have an adverse impact on the Scheme's prospects and business. There can be no assurance that the investment objectives of the Scheme will be achieved, or that an investor will receive a return of its capital. Although the Scheme will attempt to manage those risks through careful research, due diligence and portfolio management there can be no assurance that it will do so successfully.

### **General Risk factors**

#### **1. Political Risk**

As with any investment in India, any investments of the Scheme may be materially adversely impacted by Indian politics and changes in the political scenario in India either at the federal or local / state level. The Scheme does not intend to obtain political risk insurance. Actions of the central government or respective state governments in the future could have a significant effect on the Indian economy, which could affect private sector companies and the Scheme, general market conditions, prices and yields of securities in the Scheme's portfolio. The occurrence of selective unrest or external tensions could adversely affect the political and economic stability of India and consequently adversely affect the Scheme. Delays or changes in the development of conducive policy frameworks will have an impact on Investments. Further, certain developments are beyond the control of the Investment Manager such as the possibility

of nationalization, expropriations, confiscatory taxation, political changes, government regulations, social instability, terrorist activities, diplomatic disputes or other similar developments, could adversely affect the Fund's Investments

## **2. Economic Risk**

A slowdown in economic growth or macro-economic imbalances such as the increase in central and state level fiscal deficits may adversely affect investments in the country. The underlying growth in the economy is expected to have a direct impact on the volume of new investments in the country.

### **Risk related to armed conflicts, war, or heightened geopolitical tensions**

Armed conflicts, war-like situations, or heightened geopolitical tensions in any part of the world may have significant adverse implications on global and domestic financial markets, supply chains, and economic stability. Such events may lead to heightened market volatility, disruption of trade and capital flows, sanctions, currency fluctuations, or restrictions on cross-border transactions. These developments could adversely impact the ability of the Fund to deploy capital, raise additional commitments, or exit from Portfolio Investments at favourable valuations.

Further, in extreme circumstances, war conditions may lead to prolonged economic disruption, closure of financial markets, restrictions on movement of capital, or impairment of underlying Portfolio Entities and their assets. As a result, the value of the Fund Investments may decline significantly and, in certain scenarios, Investors may experience partial or complete loss of their capital commitment in the Fund.

## **3. Legal Risk**

As with any other investment in India, any Investment of the Scheme will rely on the legal system to resolve potential issues relating to a specific investment. While the Indian legal system is well established in its jurisprudence, resolution through the Indian court system could be a relatively lengthy process which could result in time delays. The Scheme's Investment may expose it to the potential risks of becoming involved in litigation with third parties. Due to the developing nature of the Indian legal and regulatory system, laws often refer to regulations that are often open to interpretation. These uncertainties can lead to difficulties in obtaining or renewing necessary licenses or permissions and can lead to substantial delays and costs for the companies subject to them, all of which can ultimately adversely affect the performance of the Scheme. Changes in laws and regulations (or in the interpretation thereof) occurring from time to time in India are possible and may worsen the legal and tax constraints within which the Fund will operate and, as a result, may require structuring and financing alternatives to be identified and implemented and lead to increased legal costs and reduced returns. In particular, tax laws and regulations or their interpretation may change and there can be no assurance that the structure of the Scheme or its investments will be tax efficient. Further, India is subject to rapid changes in legislation, many of which are extremely difficult to predict. Existing laws are often applied inconsistently and new laws and regulations, including those which purport to have retroactive effect, may be introduced with little or no prior consultation. As such, the Fund's ability to secure the judicial or other enforcement of its rights may be limited.

### **Investment-Related Risks**

#### **1. Capital Market Volatility**

The Indian capital markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently from large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole. Indian stock exchanges utilize "circuit breaker" systems under which trading in a particular stock(s) or the entire market trading could potentially be suspended on account of excessive volatility in a stock or in the market. Such disruptions could significantly impact the ability of the Scheme to sell its investments. Factors like

these could adversely affect the Scheme's performance. Monetary policy / guidelines from Reserve Bank of India / Government of India may decrease the investment universe or create liquidity constraints or may result in higher settlement costs.

Securities listed on Indian stock exchanges may have low market capitalization and trading volume. There can be no assurance that sales on the Indian stock exchanges will provide a viable exit mechanism for the Scheme's Investments.

The prices of financial instruments in which the Scheme may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Scheme's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Scheme also is subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouse.

## **2. Leverage**

The Scheme may use leverage for any purpose, including, without limitation, as part of its investment program as described herein. While the use of leverage can increase the rate of return, it also can increase the magnitude of loss in unprofitable positions, and can increase borrowing costs.

## **3. Business Risk**

There can be no assurance that the Scheme will achieve its respective investment objectives. The investment results of the Scheme are reliant upon the success and the business and financial skills of the Investment Manager and certain advisors that the Investment Manager may appoint from time to time to solicit, originate and recommend appropriate investment opportunities. Moreover, the past performance of the Investment Manager, members of the investment committee, if any and / or, affiliates of the Investment Manager may not be indicative of their future performance and does not provide any assurance of any return of Capital Commitment of an investor. Security ownership restrictions for FPI restricted stocks will be applicable and maximum exposure to such securities will be capped.

## **4. Foreign Currency Risk:**

The Scheme is denominated in Indian Rupees (INR) which is different from the home currency for Foreign Portfolio Investors in the Scheme. The INR value of investments when translated into home currency by Foreign Portfolio Investors could be lower because of the currency movements. The Scheme does not manage currency risk for Foreign Portfolio Investors and it is the sole responsibility of the Foreign Portfolio Investors to manage or reduce currency risk on their own. The Sponsor / Fund / Trustees / Investment Manager are not liable for any loss to Foreign Portfolio Investors arising from such changes in exchange rates.

## **5. Convertibility and Transferability Risk**

In the event capital and exchange controls are imposed by the government authorities, it would prevent Foreign Portfolio Investors' ability to convert INR into home currency and / or transfer funds outside India. The convertibility and transferability of INR proceeds into home currency is the responsibility of the Foreign Portfolio Investors.

## **6. Risks due to restrictions on investments in equity and/or fixed income securities of Indian companies by Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs) / Non-Resident Indians (NRIs)/Persons of Indian Origin (PIOs)**

There are regulatory ceilings on investments in Indian companies by FIIs / FPIs / NRIs / PIOs which are prescribed and monitored regularly by the Reserve Bank of India; this may restrict the ability of the Scheme to capitalise on

opportunities available where the Investment Manager has a view and has expressed it in other Schemes which are not subject to these restrictions.

#### **7. High Portfolio Turnover and Recognition of Gains**

The Scheme's investment strategy may result in a short holding period before Investments are rolled over into new Investments or sold. This will cause the recognition of any investment gains on a more frequent basis than other investment strategies.

#### **8. Performance Fee**

The allocation to the Investment Manager of any Performance Fee may create an incentive for the Investment Manager to cause the Scheme to make investments that are of a higher risk or more speculative than would be the case if this special allocation were not made. In addition, since the Performance Fee is calculated on a basis which includes unrealized appreciation of the Schemes' assets, such allocation may be greater than if it were based solely on realized gains.

#### **9. Business Dependent upon Key Individuals**

The Investment Manager will be selecting suitable investments with the assistance of one or more key persons as referred to in this Private Placement Memorandum or as may be appointed thereafter. A material adverse effect on the returns of the Scheme may be created by the loss of one or more key persons of the Investment Manager who are responsible for managing the Scheme.

#### **10. Management Risks**

The investors have no authority to participate in the management or to make decisions or to exercise business discretion on behalf of the Scheme. Management authority for the Scheme, including but not limited to the power to make decisions regarding investments and divestments is held by the Trustee, who delegates authority for all such investment decisions to the Investment Manager. The monitoring of the Investments will be done by the Investment Manager. Accordingly, investors must be prepared to entrust management of the Scheme to the Trustee and / or the Manager.

#### **11. Indemnification**

The Scheme may, in terms of the Indenture, be required to indemnify the Investment Manager, the Settlor, the Trustee, the investment committee (if any) or any other committee constituted by the Investment Manager in relation to the Scheme, and their respective officers, directors, agents, stockholders, members, partners, employees and affiliates against losses, liabilities, damages and expenses incurred in connection with the affairs of the Scheme. Such liabilities may be material and may have an adverse effect on the returns to the investors. The indemnification obligations of the Scheme would be payable from the assets of the Scheme, including the unpaid commitments of investors, in terms of the Indenture. In the event that the assets of the Scheme are insufficient to satisfy any indemnification obligation, the investors in the Scheme will be required to return distributions to the Scheme in cash as necessary to satisfy such obligation, to the extent and in reverse order of distributions received, subject to some limitations. Such liabilities may be material.

#### **12. Corporate Disclosure, Accounting and Corporate Governance Standards in India**

The Investment Manager, the Scheme and / or the investors may not have adequate information while evaluating investment or divestment decisions. Further, differences may arise in such areas as valuation of properties and other

assets, accounting for depreciation, deferred taxation, inventory obsolescence, contingent liabilities and foreign exchange transactions. Accordingly, less information may be available to the investors. Further, investee companies may be scrutinised by the SEBI and other market regulators for compliance with regulations and guidelines, including insider trading, tax, and other operational matters. Such scrutiny may negatively affect the Scheme's performance.

### **13. Lack of Jurisdiction for Service of Process by US Persons**

The Scheme and all or a substantial portion of the assets of the Scheme are located outside of the United States. As a result, it may not be possible for US Persons to effect service of process within the U.S. upon such entities or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of the federal or state securities laws of the U.S. **Risks Associated with Equities, Equity Related Securities and Fixed Income Securities**

### **14. Risk in relation to side letters that maybe entered into between Fund and certain investors.**

The Investment Manager may enter into side letters pursuant to which the Investment Manager grants to certain Investors specific rights, benefits or privileges that are not made available to other Investors generally and may not be disclosed to the other Investors who are not a party to the aforesaid document/s. However, the Investment Manager shall not offer differential rights in the side letters which may have any impact on the economic rights or any other rights of other Investors.

## **Risks Associated with Specific Instruments**

### **1. Equity Risks**

The Scheme will primarily invest in equity and / or equity-derivative securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Scheme may suffer losses if they invest in equity securities of issuers whose performance falls below market expectations or if equity markets generally decline and the Scheme has not hedged against such a general decline. In its equity derivatives, the Scheme is exposed to risks that issuers will not fulfil their contractual obligations to the Scheme, such as delivering marketable common stock upon conversions of convertible securities, registering restricted securities for public resale and maintaining listings on exchanges.

### **2. Call Options**

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

### **3. Put Options**

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the

exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

#### **4. Other Derivative Instruments**

The Scheme may enter into swaps and other derivative instruments. The Scheme may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Scheme and legally permissible. Special risks may apply to instruments that are invested in by the Scheme in the future that cannot be determined at this time or until such instruments are developed or invested in by the Scheme. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

#### **5. Market Liquidity Risk**

The liquidity of investments made by the Scheme may be restricted by trading volumes, settlement periods and transfer procedures. Although the investment universe constitutes securities which will have high market liquidity, there is a possibility that market liquidity could get impacted on account of company/sector/ general market related events and there could be a price impact on account of portfolio rebalancing and/or liquidity demands on account of redemptions. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. There have been times in the past, when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct further transactions. Delays or other problems in settlement of transactions could result in temporary periods when the Scheme assets are uninvested and no return is earned thereon. The inability of the Scheme to make intended securities purchases, due to settlement problems, could cause the Scheme to miss certain investment opportunities. By the same token, the inability to sell securities held in the Scheme's portfolio, due to the absence of a well developed and liquid secondary market, would result at times, in potential losses to the Scheme, should there be a subsequent decline in the value of securities held in the Scheme portfolios.

#### **6. Risks associated with investing in companies in the Pre-IPO stage (expected to be listed):**

The Fund may invest in equity and equity related instruments of companies to be listed on a recognized stock exchange in India, through primary or secondary markets. Such investments may be subject to risks including:

- (a) Loss of capital invested: The pre-IPO offer price of the equity shares will be determined by the company and the selling shareholders in consultation with the arranger through the book building process. This price may not be indicative of the market price for the equity shares post listing and may decline below the pre-IPO offer Price
- (b) Delays in listing of Shares on the Stock Exchanges in a timely manner or at all
- (c) Shares purchased during pre-IPO stage are subject to lock-in periods, thus restricting the ability to exit such investments. Such shares can be transferred during lock-in periods but to a restricted investor base

#### **7. Credit Risk & Market Risk**

Corporate Debt securities (including money market securities) are subject to the risk of an issuer's inability to meet interest and principal payments on its debt obligations (credit risk). Debt securities may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of the creditworthiness of the issuer, among others (market risk). The Investment Manager will endeavour to manage credit

risk through in-house credit analysis. The Scheme may also use various hedging products from time to time, as are available and permitted by regulators, to attempt to reduce the impact of undue market volatility on the Scheme.

## **8. Interest Rate Risk**

The market value of debt securities that are interest rate sensitive is inversely related to changes in interest rates. That is, an interest rate decline produces an increase in a security's market value and an interest rate increase produces a decrease in value. The longer the remaining maturity of a security, the greater is the effect of interest rate changes. Changes in the ability of an issuer to make payments of interest and principal and in the market's perception of its creditworthiness also affect the market value of that issuer's debt securities.

In addition, a decline in interest rates could reduce the amount of current income the Scheme is able to achieve from interest on certain debt, including floating rate debt. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to the then prevailing interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate.

The Scheme may also invest in floating rate securities. The value of these Investments is closely tied to the absolute levels of such rates, or the market's perception of anticipated changes in those rates. This introduces additional risk factors related to the movements in specific interest rates that may be difficult or impossible to mitigate, and that also interact in a complex fashion with prepayment risks.

## **9. Risks associated with Securities Lending & Borrowing.**

Securities lending is lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed. The risks in security lending consist of the failure of intermediary / counterparty, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the intermediary / counterparty. Such failure to comply can result in the possible loss of rights in the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary.

Securities Lending and Borrowing ("SLB") is an exchange traded product in India, with trades done on order matching platforms setup by the clearing corporation/house of recognized stock exchanges. In accordance with SEBI guidelines, there is a robust risk management system and safeguards exercised by the clearing corporation/house, which also guarantee financial settlement, hence mitigating counterparty risk for lenders and borrowers.

The lending scheme may not be able to sell lent out securities, which can lead to temporary illiquidity & loss of opportunity. In case of a recall or foreclosure of securities, the lender would lose part or whole of the fees/yields earned from the borrower.

The borrowing scheme could face a risk of early foreclosure in the event of corporate actions. In addition, the fees/yields incurred for borrowing certain securities may be high depending upon the demand supply for that security. There could be substantial price increases in the security which may result in losses, when the borrower has to close the position on contractual maturity.

## **Scheme Risks**

### **1. Manager Control**

The Investment Manager may, among other things, at its discretion (a) suspend trading or operations; (b) create additional classes of Units; (c) impose or amend investment restrictions; or (d) impose or increase redemption or other fees payable by the Scheme, in each case without breaching any legal or contractual obligation with respect to the Scheme and without the approval of the Unit Holders.

## **2. No Minimum Level of Capital**

The Scheme may begin operations on attaining the minimum Capital Commitment without attaining any particular level of capitalization, subject to the provisions of the SEBI Regulations in this behalf. At low asset levels, the Scheme may be unable to diversify its Investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers.

## **3. Investigations and Actions regarding the Scheme**

Any investigations of, or actions against, the Scheme or any of Unit Holders initiated by the SEBI or any other Indian regulatory authority may lead to a ban on the investment and trading activities of the Scheme or other adverse consequences.

## **4. Tax Risks**

Contributors in the Fund are subject to a number of risks related to tax matters. In particular, the tax laws relevant to the Fund are subject to change, and tax liabilities could be incurred by contributors as a result of such changes. The tax consequences of an investment in the Fund are complex, and the full tax impact of an investment in the Fund will depend on circumstances particular to each Contributor and the additional peculiarities associated with respect to activities of each Portfolio Investment. Alternative tax positions adopted by the income tax authorities could give rise to incremental tax liabilities in addition to the tax amounts already discharged by the Fund. Since the Fund would distribute the surplus funds to the beneficiaries, if the funds available with the Fund are insufficient to meet the additional tax liability, the Trustees reserves the right to collect/recover the additional tax liability from the Contributors even beyond the term of the Trust.

Though the Trustee shall be assessed as a representative of the Contributors under section 304 to 307 of the Income-tax Act, 2025 and would thus pay tax qua the Contributors (beneficiaries), no assurance can be given by the Trustee that the tax authorities would necessarily accept the Trustee's contentions that such income is not again liable to tax in the hands of Contributors and if such contention the Contributors could face adverse tax implications. Further, taxes, if any, owed by the Fund will be paid before any operating expenses are paid or any distributions made to Contributors or redemptions of Units are made and as a result, the Fund's ability to pay distributions or make any redemptions may be impaired.

The Investors and the Fund are subject to a number of risks related to tax matters. In particular, the tax laws and its interpretation relevant to the Fund are subject to change, and tax liabilities could be incurred as a result of such changes. The tax consequences of an investment in the Fund are complex, and the full tax impact of an investment in the Fund will depend on facts and circumstances of each case.

We request investor to review the section on "TAXATION" for detailed evaluation on the various topic of taxation including but not limited to a. General Anti Avoidance Rules, Changes in applicable tax laws, Renegotiating of tax treaties, Changes in the administrative interpretations, etc.

There can be no guarantee that the position taken by the Investment Manager or the Fund or the Trustees regarding taxation of the Fund and taxation of Contributors of the Fund would be necessarily accepted by the income-tax

authorities under the ITA. No representation is thus made either by the Trustee of the Fund or the Investment Manager or any employee, director, shareholder or agent of the Investment Manager in regard to the acceptability or otherwise of the above position regarding taxation of the Fund and taxation of the Contributors of the Fund by the income tax authorities under the ITA. As an overall point, income tax positions in respect of AIFs are not fully evolved and there are not many judicial precedents available in India at this point in time. Given this, the tax positions that the Scheme may adopt would take into consideration general industry practices and interpretations, though such positions may not have been specifically addressed or endorsed by the revenue / judicial authorities.

Further, the information relating to Indian taxation legislation contained in this Memorandum is based on Indian domestic tax laws along with the rules and regulations made thereunder and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative, or judicial decisions. Any such changes, which could also be retroactive, can have an effect on the validity of the information stated herein.

The Fund will operate under applicable taxation laws including the ITA, Goods and Services Tax Act, etc. If policy announcements or regulations are made subsequent to this offering, which require retrospective changes in the structure or operations of the Fund, these may adversely impact the performance of the Fund.

Contributors are urged to consult their own tax advisers with respect to their particular tax situations and the tax effects of an investment in the Fund.

#### **GIVEBACK BY THE CONTRIBUTORS**

Subject to the provisions of the Indian Limitation Act, 1963, and other Applicable Laws, the Investment Manager or Trustee may, in prior consultation with the Investment Manager, require a Contributor to return distributions made to the Contributor in order to satisfy the Contributor's pro rata share of any obligations or liabilities of the Fund (including any indemnification obligations, Tax liability/claim), during and beyond the term of the Fund.

Subject to Applicable Laws including the Limitations Act, 1963 and the Income-tax Act, 2025, the obligation to return distributions may also continue beyond the term of the Fund/Trust as determined by the Investment Manager or Trustee, in consultation with the Investment Manager, by providing a notice to the Contributors for the same.

Upon invocation of such giveback, the same shall be communicated in writing to the Contributor and as stated in this Memorandum each Contributor's liability shall be pro rata to their respective investment in the Fund.

#### *U.S. Federal Income Tax Risks*

The Scheme has not requested a ruling from the Internal Revenue Service (the "IRS") as to any tax matters, including whether the Scheme will be treated as a partnership (and not as an association taxable as a corporation) for U.S. federal income tax purposes. If the Scheme were to be treated as a corporation rather than as a partnership for U.S. federal income tax purposes, the Scheme would be subject to regular U.S. federal corporate income tax, plus a 30% branch profits tax, on its income (if any) effectively connected with a U.S. trade or business, and any distributions to investors would be taxable as dividends to the extent of the earnings and profits of the Scheme. In addition, the Scheme could be classified as a "controlled foreign corporation" and would be classified as a "passive foreign investment company" ("PFIC"), which could result in adverse tax consequences to the Investors, including in the case of a PFIC the imposition of an interest charge on certain amounts treated as having been deferred by the Investors. Under present laws and regulations and judicial interpretations thereof, the Investment Manager believes the Scheme would be classified and treated as a partnership for federal income tax purposes, and not as an association taxable as a corporation.

Assuming that the Scheme is treated as a partnership for U.S. federal income tax purposes, each Investor must include in its own income its allocable share of Scheme taxable income for such purposes, whether or not any cash is distributed and, as a result of various limitations imposed by the tax laws regarding passive losses and otherwise, may be unable to currently deduct its allocable share of Scheme expenses and capital losses, if any. Because the Investment Manager currently does not anticipate the Scheme to make cash distributions to Investors, an Investor's tax liability with respect to its share of the Scheme's taxable income may exceed the cash distributions, if any, to such Investor in a particular year. Furthermore, special tax rules apply to certain categories of Investors, including individual retirement accounts and other tax-exempt entities. Because the Scheme may borrow money, a tax-exempt investor may incur income tax liability to the extent the Scheme's transactions are treated as giving rise to "unrelated business taxable income" and in such case, may be required to make payments, including estimated payments, and file income tax returns. See "9. Taxation - Certain U.S. Federal Income Tax Matters." Accordingly, an investment in the Scheme may not be appropriate for U.S. IRAs, pension plans and other tax-exempt entities because it may produce debt-financed income that would be taxable to such entities.

An audit of the Scheme's federal informational tax return may cause a change in or precipitate an audit of the Investor's federal income tax returns. Further, any such audit might result in adjustments by the IRS to items of non-Scheme income or loss. Any additional federal income tax due as a result of any such adjustment will bear interest (compounded daily) at rates established quarterly by the IRS (for individuals) equal to three percentage points above the federal short term rate determined in accordance with Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "**Code**"), for the first month in the quarter (rounded to the nearest full percent).

#### *FATCA*

The Fund may also be subject to requirements under U.S. Foreign Account Tax Compliance Act ("**FATCA**"). The US Government and the Government of India have, on the July 9, 2015, concluded an Intergovernmental Agreement to improve tax compliance and provide for the implementation of FATCA which has introduced a reporting regime for Indian financial institution and sets the legal framework to enable exchange of tax information between the two countries.

A foreign financial Institution which fails to comply with FATCA is generally subject to a 30% US withholding tax on US source income of that financial institution. This withholding tax applies to certain types of US source income (and is scheduled to apply to payments on or after January 1, 2019 of gross proceeds from the sale of instruments giving rise to US source dividends and interest).

It shall be the responsibility of the financial institution to determine whether it qualifies as a reporting Indian financial institution and to register with the IRS and obtain its Global Intermediary Identification Number ("**GIIN**"). Financial institutions are required to take certain actions, such as collecting information and / or reviewing information in their possession on their clients to determine U.S. investors and whether to treat an account as a U.S. reportable account and to do any necessary filings and reporting.

## **5. Redemptions**

Investors may redeem Units in accordance with the terms contained herein in Annexure C titled "**Redemptions**". The Scheme may, in certain circumstances, including substantial redemption, demand (a) suspending redemptions completely; or (b) making redemption payments to certain qualifying investors in specie. Investors receiving redemption payments in specie may incur brokerage costs in converting such securities to cash. Such conversions will be subject to the market risks set forth above. This situation could adversely affect the value of Unit(s).

In certain circumstances, redemptions may be suspended in accordance with the provisions of the Indenture.

## **6. Restrictions on Withdrawal and Transfer**

The Investors may not be permitted to withdraw from the Scheme as the case may be, except in limited circumstances as determined by the Trustee, on the recommendation of the Investment Manager. In addition, the investors may not be able to transfer any of the interests, rights or obligations with regard to the Scheme except with the prior written consent of the Investment Manager, which consent may be conditional upon satisfaction as to the creditworthiness of the transferee and as may be stipulated in the Indenture and / or the Contribution Agreement and subject to the payment of the applicable stamp duty as per the provisions of the Indian Stamp Act, 1899 and the Rules made thereunder as amended from time to time.

## **7. Rights and Obligations**

Creation of Classes, series or sub-classes of Units or other arrangements may create a variation of rights and obligations, without notice to existing Unit Holders.

## **8. Potential Conflicts of Interest**

Section entitled "Conflict of Interest" sets out the conflicts of interest that may occur. It is possible that other actual and potential conflicts of interest may arise. The Manager will endeavour to resolve all such conflicts in a reasonable manner, but there can be no assurance that any such resolution will be in the manner most favourable to the Scheme and the investors.

## **9. Risks of investee companies**

The investment performance of the Scheme will depend upon the performance of the investee companies in respect of which the Scheme holds the relevant securities. There can be no assurance that such investee companies will achieve profitable operations. The performance of the investee companies and the value of the Scheme's interest in the investee companies may be adversely affected by numerous factors including, for example, (i) business, economic, and political conditions in various jurisdictions; (ii) the supply of and demand for the goods and services produced, provided, or sold by the Portfolio Companies; (iii) changes and advances in technology that may, among other things, render goods and services sold by the investee companies obsolete; and (iv) actual and potential competition from other companies and countries. Certain investee 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.

## **10. Lack of separate representation**

The legal counsel to the Scheme does not represent the Contributors, and no legal counsel to the Scheme will be retained on behalf of the Contributors. There may exist other matters which would have a bearing on the Scheme and / or the Trustee or any of its affiliates upon which the legal counsel to the Scheme has not been consulted. The legal counsel to the Scheme does not undertake to monitor compliance of the Scheme or the Trustee or the Investment Manager with the terms set out herein, nor does it monitor compliance with applicable laws including the SEBI Regulations. Additionally, the legal counsel to the Scheme relies upon information furnished to it by the Investment Manager, and does not investigate or verify the accuracy and completeness of information set out herein concerning the Scheme, Trustee or Investment Manager.

## **11. Segregation**

The Scheme is a subsequent scheme of the Fund and there may be additional schemes launched by the Fund. Although the Trustee and the Investment Manager are required, under the Indenture and SEBI Regulations, to segregate the assets and liabilities of the Scheme from the other schemes of the Fund or other funds for which the

Trustee acts as trustee or the Investment Manager acts as investment manager, there is no assurance that such segregation will be respected in all cases in respect of and by third parties.

## **12. Adherence of 20-25 rules**

The Investment Manager is required by SEBI to ensure that the Scheme shall have a minimum of 20 Contributors and no Contributor shall hold more than 25% of the aggregate Capital Contributions made by all Contributors to the Scheme. As the Investment Manager also manages assets of DSP Mutual Fund; as per SEBI norms, any scheme managed by the Investment Manager, including an AIF scheme shall have to abide by 20-25 rules. Non-adherence of the same may require the Scheme to be wound up as per SEBI norms.

## **13. Benefit Plan Regulatory Risks**

The Scheme intends to limit investment in the Scheme by Benefit Plan Investors so that the assets of the Scheme will not constitute “plan assets” of any Benefit Plan Investor. Accordingly, the Scheme does not anticipate that the Investment Manager will be subject to the fiduciary and other requirements of ERISA, the prohibited transaction rules of ERISA or the Code or any other related requirements with respect to any Benefit Plan Investor. However, if the Scheme were at any point to be deemed to hold plan assets for purposes of ERISA or the Code, the Investment Manager could be exposed to litigation, penalties and liabilities which might adversely affect its ability to fully satisfy its contractual obligations to the Scheme.

## **14. New Issues Risk.**

The Scheme may purchase “new issue” securities within the meaning of FINRA’s Rule 5130. New issue securities are defined as an initial public offering of an equity security. When the Scheme places market orders for New Issue Securities, it risks receiving an execution substantially away from the market or offering price. This risk may be significantly reduced if a limit order is utilized. However, it is possible that a limit order will not be executed. In determining if and for how long it should hold new issue securities, the Scheme must gauge whether other investors are likely to buy this stock on the secondary market and how long the attraction for the stock is likely to last as well as other factors. The market for these stocks is untested. Because the offering is on a first-time basis, there is generally no market information about the stock to help determine its value or its outlook.

## **Other Risks**

### **1. Disclosure of confidential Fund and Contributor information**

The Contributors are expected to include entities that are subject to state public records or similar laws that may compel public disclosure of confidential information regarding the Scheme, its investments and its Contributors. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. To the extent that the Investment Manager determines in good faith that, as a result of such public records or similar laws, a Contributor or any of its affiliates or agents may be required to disclose information relating to the Fund, its affiliates and / or any investee company (other than information the Investment Manager has previously consented in writing that the Contributor may disclose), the Investment Manager may, in order to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such Contributor (other than certain basic capital account information). Confidential fund information may also become investee companies subject to public disclosure or regulatory disclosure due to the relationship between the Fund and a public entity. In addition, in order to comply with regulations and policies to which the Scheme, the Investment Manager, investee companies, or service providers (including financial institutions) are or may become subject, or to satisfy regulatory or other requirements in connection with transactions, the Scheme or the Investment Manager may be required to disclose information about the Contributors, including their identities.

## 2. Registration / licensing requirements in certain jurisdictions

As the Scheme seeks contributions from eligible non-residents from various jurisdictions, the regulatory authorities in certain jurisdictions may, from time to time, require the Investment Manager / Fund / Scheme / Trustee, either upfront or on reaching a certain threshold, to register with the authorities therein and may require the Scheme to comply with applicable investment restrictions, which may be in addition to the ones applicable as per Regulations or the regulatory authorities may require the Scheme to claim exemptions which may entail limitations on certain aspects of the investment strategy. The same may impact the Scheme's operations / returns.

**THE FOREGOING FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS AND SIGNIFICANT CONSIDERATIONS INVOLVED IN INVESTING IN THE SCHEME. INVESTORS SHOULD UNDERSTAND THAT ALL INVESTMENTS INVOLVE RISK AND THERE CAN BE NO GUARANTEE AGAINST LOSS RESULTING FROM AN INVESTMENT IN THE SCHEME, NOR CAN THERE BE ANY ASSURANCE THAT THE SCHEME'S INVESTMENT OBJECTIVE WILL BE ACHIEVED. NEITHER THE MANAGER, NOR THE TRUSTEE NOR THE INVESTMENT MANAGER GUARANTEE THE PERFORMANCE OR ANY FUTURE RETURN OF THE SCHEME.**

## 6. MANAGEMENT, ADMINISTRATION AND OPERATIONS

### The Trustee

DSP Trustee Private Limited, through its Board of Directors, shall discharge its obligations as trustee to the Fund. The Trustee ensures that the transactions entered into by the Investment Manager shall be in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (“SEBI Regulations”).

### Details of Trustee Directors

| Name  | Age | Qualification      | Brief Experience  |
|---|-----|--------------------|---|
| *Mr. Shitin D. Desai<br>Associate Director      | 79  | B. Com.            | Mr. Shitin Desai is a veteran with more than 40 years of experience in the banking and financial services sector. He served as a Consultant to “Bank of America Merrill Lynch.” Before this he served as an Executive Vice Chairman of “DSP Merrill Lynch Ltd.” and is one of its Founding Directors. He is the Chairman and Independent Director on the Board of “Julius Baer Wealth Advisors (India) Private Limited” He is also an Independent Director on the Board of “Sharda Cropchem Limited.” He is a Director on the Board of “Piramal Fund Management Private Limited” (Real Estate). He is also a Director on the Board of “Foundation for Promotion of Sports & Games”, a Not-for-Profit (Section 25) Company which assists potential athletes to achieve their dream and win Olympic Gold Medals. He is also a Member of the Advisory Board of ‘Kherwadi Social Welfare Association’ (KSWA), which is one of the largest NGOs providing livelihoods to underprivileged youth by making them economically independent through vocational training. He was also a member on the Committee on Takeovers appointed by SEBI, Investor Education and Protection Fund constituted by Ministry of Corporate Affairs, the RBI Capital Market Committee, Advisory Group of Securities Market of RBI and Insider Trading Committee. |
| *Mr. T. S. Krishna Murthy<br>Associate Director | 85  | B.A., B.L., M.S.C. | Mr. T. S. Krishna Murthy, a former Chief Election Commissioner of India, has had a long and distinguished career in the Government of India, spanning over 36 years. After an initial stint of about 2 years in Bank of India Ltd. as a probationary officer, Mr. Krishna Murthy joined the Indian Revenue Service in 1963. He served the Income Tax department in various capacities and was also on deputation to Hindustan Shipyard, Visakhapatnam, International Monetary Fund, etc. He was also appointed Secretary, Department of Company Affairs, Government of India, in 1997. In that capacity he took an active interest in Investor Protection & Education, apart from giving a push to computerization & company law reforms. He joined the Election Commission of India in 2000 and was Chief Election Commissioner of India when he supervised the first Parliament Elections in 2004 with Electronic Voting Machines throughout the country.   |

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| Ms. Pravin Tripathi<br>Independent Director  | 76 | B.A. (Hons.)<br>Master in English<br>Literature -<br>Punjab University  | Ms. Pravin Tripathi was the Deputy Comptroller & Auditor General (Commercial) and the Chairperson of the Audit Board. Deeply experienced in accounting & financial management, determined commercial audit polices and methodologies for all Central Govt. Companies and Corporations. Ms. Tripathi has handled diverse responsibilities in setting up the Competition Appellate Tribunal.   |
| Ms. Dharmishta Raval<br>Independent Director | 70 | B.Sc., LLB (Gold Medalist)<br>(LLM) post graduate degree<br>in law  | Ms. Raval enrolled as an Advocate of the Gujarat Bar Association in 1980. She worked extensively with Shri Kirit Raval, former Solicitor General of India and practiced along with him. She joined Securities and Exchange Board of India ('SEBI') in 1989. While at SEBI co-ordinated with Ministry of Finance and Ministry of Law for enactment of SEBI Act and amendment of SC(R) Act and Companies Act. As head of legal department of SEBI, she played key role in the drafting of all SEBI Regulations including Mutual Funds. She was also part of Committee to review Take-Over and Mutual Fund Regulations. Resigned as an Executive Director of SEBI in May 2003. From May 2003 she is practicing as an Advocate at Gujarat High Court. She was designated as a Senior Standing Counsel for the Central Government for the Gujarat High Court. While working as Sr. Standing Counsel, she represented the Central Government in various matters relating to IBC Act, Taxation, Service Laws, Company matters, etc. She resigned as Senior Standing Counsel and presently practicing at Gujarat High Court as well as NCLT and representing various corporate, individuals, institutions and banks and have argued matters relating to Companies Act, SARFAESI Act, IBC Act, Labour Laws. Representing various institutions including SEBI in Gujarat High Court. Presently she is a Member of SEBI Mutual Fund Advisory Committee. |
| Mr. Rajiv Kumar                              | 74 | BA Hons in Economics from<br>St. Stephen's College -Delhi<br>University<br><br>PhD in Economics from<br>Lucknow University<br><br>D.Phil from Oxford University | Dr. Rajiv Kumar is the Chairman of Pahle India Foundation, a non-profit making research think tank. He is the former Vice Chairman of NITI Aayog. He is currently Member Global Leadership Council, GASP, New York. He is also a Director on Parley India Foundation. He also serves as the Chancellor of Gokhale Institute of Politics and Economics, Pune and Chairman of the Board of Governors of the Giri Institute of Development Studies, Lucknow.<br><br>He has wide experience of having worked in academia, government, industry as well as in multilateral institutions. He started his academic career in Indian Council for Research on International Economic Relations (ICRIER) as a Researcher during 1977-1982. He later became the Director & CEO of ICRIER between 2006 and 2011. He was a Professor at the Indian Institute of Foreign Trade (IIFT) and a Senior Fellow at the Centre for Policy Research (CPR), Delhi.<br><br>In the government, he was Economic Advisor with Department of Economic Affairs (DEA), Ministry of Finance (1991-1995) and Senior  |

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|                                  |    |                                   | <p>Consultant at the Bureau of Industrial Costs and Prices (BICP), Ministry of Industry (1989-1991).</p> <p>His experience in the multilateral financial institutions was with Asian Development Bank (ADB), Manila, where he spent 10 years before returning to India in 2004. He was also the Chief Economist of the Confederation of Indian Industries (CII) during 2004-2006 and Secretary General of Federation of Indian Chambers of Commerce and Industry (FICCI) during 2011-2013. He served on the Central Boards of State Bank of India for two terms and was also on the Central Board of Reserve Bank of India (RBI).</p> <p>Dr. Kumar has a Ph.D in Economics from Lucknow University and a D.Phil from Oxford University.</p>  |
| Mr. Jitendrakumar Himatlal Mehta | 73 | B.COM., PGDBA from IIM, Ahmedabad | <p>Mr. J H Mehta is a seasoned management professional with considerable experience in FMCG, modern retail, agri-businesses and healthcare. He has worked for Hindustan Unilever Ltd. for 31 years initially in a wide range of commercial areas such finance, international trade, supply chain, commodities etc. and later as a business head of a variety of businesses ranging from animal foods, branded beverages and ice creams. He last held the position of Executive Director for the ice creams business for Unilever in South Asia and was also on Board of HUL between 2000 and 2005. He later worked as President of Spencer's Retail from 2005-2007 where he played a leading role in driving rapid growth by steering expansion in multiple formats with a focused brand strategy. He worked with Kutra group from 2007-2009 as Group President and a member of their global advisory board. He provided leadership to their diverse businesses in ayurveda, nutraceuticals, agri-business etc. He has been running his own management consultancy Valueveda focusing on value creation since 2009. He has been advising on strategy for a range of businesses like alternate healthcare, international marketing, edible oils, organic foods, modern retail etc. He has worked on the board of IIFL Trustee Ltd. as an independent director and later as the Chairman of the board of trustees during 2009-2019. He also has worked as an independent director on the board of Gokaldas Exports Ltd. engaged in the business of exporting readymade garments.</p> <p>Mr. Mehta fortified his qualifications through management development programmes at Unilever, Sloan School and Wharton School. He is a certified corporate director by Institute of Directors in association with World Council for Corporate Governance, UK. He has actively participated in industry associations connected with the</p> |

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|   |    |  | businesses run by him and in govt. organizations like the Coffee Board as a member of Coffee Board.   |
| Ms. Sabina Nanavati<br>Independent Director | 54 | B.A, French/Premedicine Major, Franklin and Marshall College, Lancaster, Pennsylvania<br><br>L.L.B., University of Buckingham, Buckingham, England<br><br>Bar Admission - New York State Bar Association | Ms. Sabina Nanavati is a seasoned legal professional with nearly two decades of experience across leading global law firms and investment banks. She has previously held senior leadership roles including Head of Legal at Morgan Stanley, India, and Lead Transactional Counsel at Morgan Stanley, Singapore as well as DSP Merrill Lynch, India, advising on complex cross-border M&A, capital markets, and private equity transactions.<br><br>Ms. Nanavati began her career in New York with Willkie Farr & Gallagher LLP, later gaining local expertise at Nishith Desai Associates before moving into her regional and global counsel roles in Singapore and India. Academically, she holds a B.A. in French/Premedicine from Franklin & Marshall College, USA, a First Class Honours LL.B. from the University of Buckingham, England, and is a member of the New York State Bar Association. |

\*Note: Mr. T. S. Krishna Murthy & Mr. Shitin D. Desai has resigned from the Board of DSP Trustee Private Limited with effect from the close of business hours on April 27, 2026.

### Investment Manager

DSP Asset Managers Private Limited shall act as the Investment Manager to the Scheme launched by the Fund. DSPAM is a company incorporated under the Companies Act, 2013 on June 17, 2021, having its registered office at The Ruby, 25th Floor, 29, Senapati Bapat Marg, Dadar West, Mumbai 400028. DSPAM has been appointed as the Investment Manager (IM) to the Fund by the Trustee, vide Investment Management Agreement (IMA) dated June 21, 2013, as amended vide Amending Agreement dated April 01, 2023 entered and executed between the Trustee and the Investment Manager.

Note: DSP Investment Managers Private Limited (“DSPIM”) has demerged and transferred its asset management business with effect from April 01, 2023 to another DSP group entity i.e., DSP Asset Managers Private Limited (“DSPAM”) pursuant to a scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013.

### Details of Investment Manager Directors

| Name                                     | Age | Qualification                          | Brief Experience   |
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| Mr. S. Ramadorai<br>Independent Director | 81  | B.Sc. (Honours) from Delhi University, | S. Ramadorai was in public service from February 2011 to October 2016. During his tenure as the Chairman of the National Skill Development Agency (NSDA) and the National Skill Development Corporation (NSDC) his approach was to standardize the skilling effort, ensure quality and commonality of outcomes by leveraging technology and create an inclusive environment to co-operate, |

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|  | <p>BE in Electronics and Telecommunications from Indian Institute of Science, Bangalore,</p> <p>MS in Computer Science from University of California</p> | <p>collaborate &amp; co-exist. He strongly believed that empowering the youth with the right skills can define the future of the country. Currently, he is the Chairperson of Mission 'Karmayogi Bharat', the National Programme for Civil Services Capacity Building (NPCSCB) that aims to transform Indian bureaucracy and prepare civil servants for the future, through comprehensive reform of the capacity building apparatus at individual, institutional and process levels.</p> <p>Mr. Ramadorai is also the Chairman of the Advisory Board at Tata STRIVE, which is the Tata Group's CSR skill development initiative that aims to address the pressing national need of skilling youth for employment, entrepreneurship and community enterprise. Currently, he serves as an Independent Director on the Boards of Piramal Pharma Limited and DSP Asset Managers Pvt. Ltd. In March 2016, he retired as the Chairman of the Bombay Stock Exchange (BSE Ltd.) after having served on their board for a period of 6 years.</p> <p>Mr. Ramadorai took over as the CEO of Tata Consultancy Services (TCS) in 1996 when the company's revenues were at \$ 155 million and since then led the company through some of its most exciting phases, including its going public in 2004. In October 2009, he retired as the CEO, leaving a \$ 6 billion global IT services company to his successor. He was then appointed as the Vice Chairman and retired in October 2014, after an association of over 4 decades with the company.</p> <p>Given his keen passion to work for the social sector and community initiatives, he also serves as the Chairman on the Council of Management at the National Institute of Advanced Studies (NIAS) and was the Chairperson of the Governing Board at the Tata Institute of Social Sciences (TISS) for over 10 years starting October 2011. He is the Chairperson of Public Health Foundation of India and the President Emeritus of the Society for Rehabilitation of Crippled Children (SRCC) – which has built a super specialty children's hospital in Mumbai. In February 2020, Mr. Ramadorai was also appointed as the Chairperson of the Kalakshetra Foundation's Governing Board by the Union Ministry of Culture.</p> <p>In recognition of his commitment and dedication to the IT industry, Mr. Ramadorai was awarded the Padma Bhushan (India's third-highest civilian honour) in January 2006. In April 2009, he was conferred the CBE (Commander of the Order of the British Empire) by Her Majesty Queen Elizabeth II for his contribution to Indo-British economic relations. In 2016, he received The Economic Times Lifetime Achievement Award for his contribution to Tata</p> |
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|   |    |                                   | <p>Consultancy Services. More recently, in 2025, he was honoured with the Sankara Ratna Award by the Sankara Nethralaya Medical Research Foundation for his contribution to nation-building and social impact, and the Assam Saurabh, the second-highest civilian award of the Government of Assam, for his outstanding contributions to education and institutional development.</p> <p>His academic credentials include a Bachelor's degree in Physics from Delhi University (India), a Bachelor of Engineering degree in Electronics and Telecommunications from the Indian Institute of Science, Bengaluru (India) and a Master's degree in Computer Science from the University of California – UCLA (USA). In 1993, Ramadorai attended the Sloan School of Management's highly acclaimed Senior Executive Development Program.</p> <p>Ramadorai is a well-recognized global leader and technocrat who has participated in the Indian IT journey from a mere idea in 1960's to a mature industry today. Ramadorai captured this exciting journey in a wonderfully personalized book titled 'The TCS Story...and beyond' which was published in 2011 and remained on top of the charts for several months.</p> <p>Among his many interests, Ramadorai is also passionate about photography and Indian classical music</p> |
| <p>Mr. Kalpen Parekh</p> <p>Managing Director and Chief Executive Officer (CEO)</p> | 52 | <p>MMS (Finance), BE Chemical</p> | <p>Kalpen Parekh is the Managing Director &amp; CEO of DSP Asset Managers Pvt. Ltd. With over 27 years of experience in investment management, Kalpen has worked in leadership roles across firms such as ICICI Prudential, Birla Sun Life, IDFC AMC, and now DSP. Over this journey, he has helped Indian investors, wealth managers, family offices, and global institutions allocate capital across mutual funds, spanning equities, bonds, hedge funds, and global markets.</p> <p>An engineer by training (Chemical Engineering, Bharti Vidyapeeth) and an MBA in Finance from NMIMS, Kalpen combines analytical rigor with a deep understanding of investor behavior. His experience has taught him how asset classes move in cycles, how investor preferences shift, and how human biases often make us earn less than markets.</p> <p>He believes that while returns are cyclical and investors often behave pro-cyclically, the antidote lies in discipline. He advocates against chasing star funds, managers, or hot trends—instead urging investors to focus on the simple but powerful idea of becoming a better investor every day.</p>   |
| <p>Mrs. Aditi Kothari Desai</p>   | 50 | <p>Bachelor of Science</p>        | <p>Aditi Kothari Desai is Chairperson of DSP Asset Managers Pvt Ltd (DSPAM), one of India's leading investment management firms. She</p>  |

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|   |    | <p>degree in Economics from the Wharton School of the University of Pennsylvania and an MBA from Harvard Business School.</p> | <p>also serves as a Director at DSP Finance, the lending arm of the DSP Group, and is the co-founder and Chairperson of CompoundExpress, a platform designed for advisors and mutual fund distributors in India.</p> <p>Aditi's work centers on driving digital transformation in finance. She has played a pivotal role in developing DSP's digital platforms across investments, education, corporate services, and distributor engagement. Additionally, she serves on the Board of Tifin India, an AI-driven company focused on wealth and asset management.</p> <p>At DSPAM, Aditi leads financial wellness initiatives, including Winvestor—an initiative aimed at enhancing financial knowledge and security for women. Earlier in her career, she headed business development, marketing, digital, and sales functions, and was instrumental in launching the group's international business. She began her professional journey at Merrill Lynch in New York, working in investment banking on M&amp;A within the Financial Institutions Group.</p> <p>Beyond her corporate responsibilities, Aditi is a Trustee at the Hemendra Kothari Foundation and the Wildlife Conservation Trust. She serves as an Independent Director at Godrej Agrovet and is a board member of DASRA, one of India's foremost philanthropy organizations. She also advises the British Asian Trust, contributes to the South Asia Advisory Board of Harvard Business School, and is Vice President of the Bombay Natural History Society.</p> <p>Aditi holds a Bachelor of Science in Economics from the Wharton School, University of Pennsylvania, and an MBA from Harvard Business School.</p> |
| Mr. Dhananjay Mungale<br>Independent Director | 72 | Chartered Accountant, LL.B.   | <p>Mr. Dhananjay Mungale is a seasoned banker and finance professional with extensive global experience of investment banking, corporate banking and private banking across Europe and India. Over 25 years he served at leadership positions in Europe and India at Bank of America and DSP Merrill Lynch.</p> <p>Since 1999, Mr. Mungale serves on the Boards of eminent companies in India as an independent director. Over the period these have included Mahindra Finance, JP Morgan Asset Management, L&amp;T Infra Finance, LIC Housing Finance, Mahindra</p> <p>CIE Automotive, TN Petro Products, DSP Blackrock, Kalpataru Ltd., NOCIL Ltd., Chowgule Steamship etc.</p>   |

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|  |    |   | <p>He also serves on Advisory Boards of select private equity organizations and investment committees of family office in India and London.</p> <p>Mr. Mungale also regularly mentors young talent in the Fintech start-up sector, across India and abroad.</p> <p>Besides his business and professional achievements, Mr. Mungale also finds time to work with eminent institutions in educational and not-for-profit domains as a member of their Governing Councils. These have included Mahindra United World Colleges and Oxford Centre for Hindu Studies.</p>   |
| Mr. S.S. Mundra<br>Independent<br>Director | 71 | <p>B. Com –<br/>University of<br/>Sagar</p> <p>M.Com –<br/>University of<br/>Poona</p> <p>Fellow-<br/>Indian<br/>Institute of<br/>Banking &amp;<br/>Finance<br/>(FIIB)</p> <p>D.Phil<br/>(Honoris<br/>Causa)<br/>Amity<br/>University</p> | <p>Mr. S.S. Mundra retired as Deputy Governor of Reserve Bank of India on 30th July 2017 after completing a stint of three years. Prior to that, the last position held by him was as Chairman and Managing Director of Bank of Baroda from where he superannuated in July 2014. In a banking career spanning over four decades, Mr. Mundra held several important positions including that of Executive Director of Union Bank of India, Chief Executive of Bank of Baroda (European Operations) amongst others. He also served as RBI's nominee on the Financial Stability Board (G20 Forum) and its various committees. Mr. Mundra was also the Vice-chairman of OECD's International Network on Financial Education (INFE).</p> <p>Prior to joining RBI, Mr. Mundra also served on Boards of several multi-dimensional companies like the Clearing Corporation of India Ltd (CCIL), Central Depository Services (India) Ltd. (CDSL), BOB Asset Management Company, India Infrastructure Finance Corporation (UK) Ltd. (IIFCL), India First Life Insurance Company Ltd., Star Union Dai-Ichi Life Insurance Company Ltd., National Payments Corporation of India Ltd., etc. The experience gained in guiding these entities has bestowed him with wide leadership skills and keen insights in best practices in Corporate Governance.</p> <p>Mr. Mundra has been a regular presence as a Speaker on various Forums. He has delivered more than 100 speeches/presentations on diverse issues viz. banking, financial inclusion &amp; literacy, MSME financing, audit, Fraud Risk Management, Cyber security, Consumer Protection, Human Resource Management etc. at both domestic and international forums. Many of these speeches have been published on the websites of Reserve Bank of India and that of the Bank for International Settlements.</p> <p>Amity University has conferred the Degree of Doctor of Philosophy (D.Phil.), Honoris Causa, upon Mr. Mundra, in recognition of his services in the field of banking and related areas.</p> |

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|   |          |  | <p>Post retirement from Reserve Bank of India, Mr. Mundra served on the Board of BSE Limited, among others, and vacated as Chairman of the Board, in January 2024, on completion of maximum permissible tenure of 6 years.</p> <p>Presently Mr. Mundra is serving on the boards of several companies such as DSP Asset Managers Pvt. Ltd., Airtel Payments Bank Limited, Havells India Ltd., PayU Payments Private Limited and Yashraj Biotechnology Limited as Independent Director and as Non-Executive Chairman of Sammaan Capital Limited (Erstwhile Indiabulls Housing Finance Ltd).</p>  |
| Mr. Vishwanathan Iyer<br><br>Independent Director | 72       | Chartered Accountant and Company Secretary                       | <p>Mr. Vishwanathan Iyer is a Chartered Accountant and a Company Secretary by qualification comes with over four and half decades of multi-disciplinary experiences across industries and geographies. He has been in the IT Industry since 1991, longest corporate stints include IBM for a decade and Tata group (Tata Elxsi / Tata Consultancy Services) for nearly two decades.</p> <p>Mr. Iyer brings a unique combination of business experience and governance experiences along with knowledge of a variety of markets.</p> <p>Currently, he is a Co-founder of management consultancy firm NxtPractice Growth Partners LLP. He is a Strategic Partner for Technology Sector at Aurum Equity Partners LLP. He is also the Treasurer and a Trustee at Fortess, a non-profit Trust formed by technocrats set up as a Society in Maharashtra. He is a member of the Steering Committee of Deccan Center for International Relations, a think tank focused on Deccan region.</p> <p>During his stint in IT Industry across Tata Elxsi, IBM India and Tata Consultancy Services from 1991 to 2019, he has held several senior positions in multiple areas including positions of Chief Financial Officer, Chief Legal Officer and President for Asia Pacific markets. He has been deeply engaged in TCS operations in North and South America as well as South Africa as member of the Board of respective legal entities. He has served as Chairman of C-Edge Services Ltd, a joint venture between SBI and TCS as well as Chairman of Audit Committee of TCS e-Serve Ltd.</p> <p>His early career experiences included major corporates like Voltas, Godrej and Sanmar group.</p> |
| Mrs. Shuchi Kothari                               | 40 years | Bachelor of Science in Economics (BSE) from the Wharton Business | <p>Shuchi Kothari is a director at DSP HMK Holdings Pvt. Ltd. and DSP Investments Pvt. Ltd., two investing entities within the DSP Family Office. She is an Executive Director on the Board of DSP Asset Managers Private Limited. She looks after investments for the family office within the private equity and venture capital space. Shuchi is also a director of Health &amp; Glow Pvt. Ltd., a beauty retail chain</p>  |

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|  |  | <p>School at the University of Pennsylvania in Philadelphia, USA</p> <p>Masters in Business Administration (MBA) from the Harvard Business School in Boston, MA.</p> | <p>with approximately 170 stores across India. She started her career as a buyer at Globus Stores Pvt. Ltd., a fashion retail chain in India, where she headed the F21 private label, a fashion forward brand targeted at young women.</p> <p>She also currently represents Epic Foundation, a US based social organization, in India. Epic Foundation bridges the gap between a new generation of individual and corporate donors and organizations supporting children and youth globally. Epic Foundation carefully selects its portfolio organizations, supports them financially, and monitors their progress. Moreover, it disburses 100% of the proceeds it collects from its donors to these organizations.</p> <p>Shuchi is a trustee of the Hemendra Kothari Foundation (HKF) and the Wildlife Conservation Trust (WCT). WCT is one of the leading wildlife conservation organizations in the country that focuses on protecting India's natural ecosystems through multi-sectorial interventions.</p> |
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**Investment Manager's affiliations with other SEBI intermediaries:**

The Investment Manager serves as the asset management company to DSP Mutual Fund.

**Disciplinary Action:**

Following are the details of the disciplinary actions pending / taken against DSP Asset Managers Private Limited ('DSPAM')

- (i) The following is the list of pending/closed litigations in which DSP Asset Managers Private Limited ('DSPAM') [is a party/found guilty.

Note: As a result of the Demerger, all the pending litigations against DSPIM stands transferred to the DSPAM.

| Sr. No. | Parties  | Case no. / Pending before Forum or Court                                   | Status   | Brief Facts  |
|---------|--|--|--|--|
| 1       | DSP Investment Managers Private Limited ... Plaintiff Versus DSP Realty .... Defendant | Commercial IP Suit (L) No. 60 of 2020 before the Hon'ble Bombay High Court | Ad-interim relief granted vide order dated 4 <sup>th</sup> February 2020 by Hon'ble Justice Mr. S. C. Gupte. As per the records the last date of hearing | On January 21, 2020, the AMC filed a plaint in the Honorable High Court of Judicature at Bombay, Ordinary Original Civil Jurisdiction in its Commercial Division a suit for infringement of trademark and passing off (Category Code no.1017 Act Code No.87) against DSP Realty, a proprietary concern of Shrikant Bhausahub Pawar |

| Sr. No. | Parties  | Case no. / Pending before Forum or Court                 | Status  | Brief Facts  |
|---------|--|--|---|--|
|         |  |  | <p>was supposed to be on 17<sup>th</sup> March 2020, which was adjourned due to the Covid-19 pandemic and lockdown imposed pursuant thereto. Presently the courts are hearing urgent matters and this matter is unlikely to come up, anytime soon. Considering the on-going pandemic, there are no further changes. Lodging number is assigned: COMIPL/60/2020<br/>Stage has been revised to: Applications for hearing.</p> | <p>(‘Defendant’). The mentioned suit was filed inter-alia for the acts of infringement, passing off and damages by the Defendant, whose trademark is deceptively similar to the AMC’s registered DSP marks. On February 04, 2020, the Honorable High Court granted ad interim relief restraining the Defendant from using of trademark. The matter is now at hearing stage and the AMC is awaiting an intimation in relation to the hearing date from the High Court.</p>  |
| 2       | DSPIM, Axis Bank Limited, Sintex BAPL Limited and Sintex Plastics Technology Limited | Suit No. 45 of 2020 before City Civil Court at Ahmedabad | Closed  | <p>AMC along with other debenture holders subscribed for non-convertible debentures (NCDs) issued by Sintex BAPL Limited (“Sintex”). As per the Debenture Trust Deed, Sintex was required to obtain NOC from the Debenture holders prior to sale of its stake in any of its subsidiaries. Further, Sintex has to mandatorily prepay the Debenture Holders out of such sale proceeds and the same were mandatorily required to be deposited in the Specified Bank Account (as defined under the Debenture Trust Deed) over which the Debenture Holders have first ranking exclusive charge.</p> |

| Sr. No. | Parties  | Case no. / Pending before Forum or Court  | Status | Brief Facts  |
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|         |  |   |        | <p>Pursuant to the request of Sintex, the Debenture Trustee i.e. Vistra ITCL (India) Limited (upon the instructions of Debenture Holders) gave its consent for the sale of its step-down subsidiary viz Sintex NP SAS. Necessary documents were executed in favour of the Debenture Trustee including making it exclusive signatory over the offshore account where sale proceeds are presently lying. However, Axis Bank filed a declaratory Suit ("Suit") before the City Civil Court, Ahmedabad ("Court") claiming first charge over the sale proceeds on the basis of an 'Undertaking' allegedly executed by Sintex in their favour. In view of the above, DSP Investment Managers Private Limited ("<b>DSP IM</b>") filed an intervention application before the Court to intervene in the aforesaid matter and oppose grant of any reliefs to Axis Bank. During the pendency of the Suit, AMC assigned its exposure ("Assignor") on March 31, 2022, pursuant to which there is no debt owed by Sintex to the AMC in respect of the NCDs. The Assignor accordingly, filed an application to substitute itself in place and stead of DSP IM in the Suit. In the interim, Axis Bank also assigned its debt to an asset reconstruction company ("<b>ARC</b>") and subsequently, the ARC withdrew the Suit which was allowed by the Court vide its order dated 27<sup>th</sup> February 2023.</p> |
| 3       | DSPIM, Sintex Plastics Technology Limited and Zielem | CP (IB) No. 759 of 2019 before National Company Law Tribunal Ahmedabad and Company Appeal (AT)(Ins) No. 674 of 2021 | Closed | AMC along with other debenture holders subscribed for non-convertible debentures issued by Sintex BAPL Limited (" <b>Sintex</b> ").  |

| Sr. No. | Parties                             | Case no. / Pending before Forum or Court            | Status | Brief Facts   |
|---------|-------------------------------------|---|--------|---|
|         | Industries Private Limited & Others | before the National Company Law Appellate Tribunal. |        | <p>Sintex defaulted on its debt repayments in August 2019. While, the AMC and other lenders were contemplating settlement with Sintex, an operational creditor- Zielem Industries Private Limited ("<b>Zielem</b>") filed a Company Petition before the National Company Law Tribunal (NCLT), at Ahmedabad against Sintex which was admitted vide order dated 18<sup>th</sup> December 2020 and Corporate Insolvency Resolution Process (CIRP) against the Sintex had commenced.</p> <p>Subsequent to the Admission Order, Sintex Plastics Technology Limited (in its capacity as the shareholder of Sintex) ("<b>SPTL</b>") settled the matter with Zielem. Basis the settlement, SPTL filed an application before NCLT seeking withdrawal of the CIRP against the Sintex ("<b>Withdrawal Application</b>"). DSP IM filed an intervention application in the Withdrawal Application so as to enable the DSP IM to oppose withdrawal of the CIRP against Sintex.</p> <p>The Withdrawal Application was allowed by the NCLT, Ahmedabad vide order dated June 29, 2021 ("<b>Order</b>").</p> <p>DSP IM filed an Appeal being Company Appeal No. 674 of 2021 before the NCLAT ("<b>Appeal</b>") against the Order.</p> <p>During the pendency of the Appeal, AMC assigned its exposure ("<b>Assignor</b>") on March 31, 2022. Upon assignment, there is no debt owed by Sintex to the AMC in respect of the NCDs.</p> <p>The Assignor, accordingly, filed a substitution application to substitute itself in place and stead</p> |

| Sr. No. | Parties                                  | Case no. / Pending before Forum or Court                     | Status | Brief Facts  |
|---------|--|--|--------|--|
|         |  |  |        | of AMC in the Appeal on April 18, 2022. Upon a formal order being passed by the NCLAT allowing the substitution application, DSP ceased to be a party to the Appeal. However, subsequently, the NCLAT allowed the Appeal vide its order dated 3 <sup>rd</sup> January 2023.  |
| 4       | DSPIM and Resonance Eduventures & Others | O.M.P. (I) COMM. NO. 159 OF 2021 before the Delhi High Court | Closed | AMC was holding non-convertible debentures issued by Accelerating Education and Development Private limited (AEDPL), a Resonance group entity vide Debenture Trust Deed dated November 10, 2016. AEDPL defaulted in repayment of redemption amount. AMC had filed a petition under section 9 of the Arbitration and Conciliation Act, 1996 before the Delhi High Court seeking interim reliefs inter alia in the nature of non-alienation of assets for securing the entire amount of Rs. 144,76,82,011/- due and payable by Resonance Group to AMC. During the course of hearing dated 28th May 2021 AEDPL and other Resonance group entities had undertaken not to alienate their assets. The pleadings were completed and the matter was ripe for arguments. In the meantime, steps were taken for constitution of the arbitral tribunal, failing which, the parties were required to take the steps as contemplated under the Arbitration Act. As the arbitral tribunal was not been constituted and no further interim orders could be passed in accordance with the provisions of Section 9 of the Arbitration and Conciliation Act, 1996, the petition was disposed of and the interim restraint to not alienate assets stands vacated. The AMC has sold off the NCDs in April 2026 and |

| Sr. No. | Parties  | Case no. / Pending before Forum or Court | Status  | Brief Facts  |
|---------|--|--|---------|--|
|         |  |  |         | has now withdrawn from all the legal proceedings   |
| 5       | Grant Thornton India (Bharat) LLP, Infrastructure Leasing and Financial Services Limited ("IL&FS") and IDBI Trusteeship Limited & DPAM | Case No: CP/3638(MB)2018                 | Pending | AMC had filed Company Application No. 19 of 2024 ("Company Application") in Company Petition Number 3638 of 2018 before National Company Law Tribunal, at Mumbai ("NCLT") on 28th December, 2023 against Grant Thornton India (Bharat) LLP, Infrastructure Leasing and Financial Services Limited ("IL&FS") and IDBI Trusteeship Limited. The said Company Application sought, inter-alia, admission of AMC's claim amounting to INR 357 Crores (i.e., guarantee claim due and payable from IL&FS under the Debenture Trust Deed and Parent Agreement, both, dated 22nd March, 2016) in the insolvency resolution process of IL&FS. GT and ITSL had filed their respective replies to the Company Application. Rejoinders were filed to replies filed by GT and ITSL to the Company Application. No reply to the Company Application was filed by IL&FS. The Company Application was heard on various dates namely 17th January, 2024, 12th February, 2024, 11th March, 2024, 12th April, 2024 and 29th April, 2024. Pursuant to the direction of the NCLT, Written Submissions on behalf of AMC also filed. Vide an order dated 13th May, 2024, the NCLT declined to grant the relief(s) sought by the AMC in the Company Application. AMC has filed an appeal against the order dated 13th May, 2024 passed by the NCLT before the National Company Law Appellate Tribunal ("NCLAT"), at New Delhi |

| Sr. No. | Parties | Case no. / Pending before Forum or Court | Status | Brief Facts  |
|---------|---------|--|--------|--|
|         |         |  |        | <p>on 25th June, 2024. The appeal was heard by NCLAT on 6th September, 2024. The NCLAT issued notice to the respondents i.e. GT, IL&amp;FS and ITSL and directed them to file their replies with 2 weeks. GT, IL&amp;FS and ITSL have filed their replies. Pleadings are complete in the matter. The hearing of the Appeal was now adjourned to 20th March, 2025 at 2 pm with a noting "High on Board". On 20th March, 2025, the said Appeal was heard at length by NCLAT. NCLAT directed the parties to file written submissions and reserved the Appeal for passing the final order and judgement. AMC and IL&amp;FS has filed their respective written submissions on 27th March, 2025. Thereafter, the NCLAT passed an Order dated 1st May, 2025 dismissing the said Appeal. AMC made an appeal before the Hon'ble Supreme Court challenging the Order dated 1st May, 2025 passed by the NCLAT and the appeal challenging the aforesaid Order dated 1st May, 2025, has been filed before the Supreme Court of India. The said Civil Appeal, has been registered as C.A. No. 009863 / 2025. The Civil Appeal was heard by the Hon'ble Supreme Court on 1st September, 2025. Vide an order dated 1st September, 2025, the Hon'ble Supreme Court dismissed the said Civil Appeal. AMC is in the process of filing a Consumer Complaint against the Debenture Trustee i.e. IDBI Trusteeship, seeking compensation towards the loss incurred by AMC towards delay caused by the Debenture Trustee in filing AMC's Claim. AMC has filed a Consumer</p> |

| Sr. No. | Parties | Case no. / Pending before Forum or Court | Status | Brief Facts   |
|---------|---------|--|--------|---|
|         |         |  |        | <p>Complaint against the Debenture Trustee, before the District Consumer Redressal Commission and the aforementioned Consumer Complaint has been registered as DC/AB1/482/CC/12/2026. The Consumer Complaint will be listed before the District Consumer Redressal on 11th February, 2026, for issuance of notice to Debenture Trustee. The District Consumer Redressal Commission adjourned the hearing of the Complaint to 18th February 2026, for issuance of notice to Debenture Trustee. On 18th February, 2026, the District Consumer Redressal Commission was apprised of the facts of the complaint. The District Consumer Redressal Commission informed it will require time to peruse the Complaint and thereafter adjourned the matter to 4th March, 2026 for further consideration. On 4th March, 2026, the complaint was heard by the District Consumer Redressal Commission and thereafter adjourned to 11th March, 2026 for further consideration. Thereafter the District Consumer Redressal Commission adjourned the complaint to 25th March, 2026 for further consideration. Thereafter the District Consumer Redressal Commission adjourned the complaint to 25th March, 2026 for further consideration. On 25th March, 2026, the Complaint was argued at length before the Commission. However, the Commission passed an Order dismissing DSP's Complaint</p> |

| Sr. No. | Parties   | Case no. / Pending before Forum or Court       | Status  | Brief Facts  |
|---------|---|--|---------|--|
| 6       | Coffee Day Natural Resources Private Limited ("CDNRPL") | National Company Law Tribunal, Bengaluru Bench | Pending | <p>Coffee Day Natural Resources Private Limited ("CDNRPL") has defaulted in repaying a sum of INR 97,67,64,888/- towards several unredeemed Non Convertible Debentures issued and allotted to AMC. In light of this outstanding debt and the continuing default, thereof, an application under Section 7 of Insolvency and Bankruptcy Code, 2016 having e-filing number 2903111006402025, has been filed in relation to CDNRPL before the National Company Law Tribunal, Bengaluru Bench on 4th April, 2025. The aforesaid Application was registered as C.P.(IB)/172(BEN)2025 and the same was listed for hearing on 27th June, 2025. The aforesaid application was adjourned to 29th July, 2025, for further directions. The said Application was thereafter listed on 29th July, 2025 and was adjourned to 3rd September, 2025 with directions from the Tribunal for DSP to file its Form D i.e. Record of Default and a copy of the Board Resolution duly signed by the authorized representative. The Application was thereafter listed on 3rd September, 2025, when the Advocate representing CDNRPL appeared before the Tribunal and filed her Vakalatnama. The Tribunal passed directions for DSP to comply with the Tribunal's previous Order dated 29th July, 2025 and directed CDNRPL to file</p> |

| Sr. No. | Parties | Case no. / Pending before Forum or Court | Status | Brief Facts  |
|---------|---------|--|--------|--|
|         |         |  |        | <p>its reply once DSP has complied with the aforesaid Order dated 29th July, 2025. Thereafter the Application was adjourned to 3rd November 2025, for compliance.</p> <p>The Application was thereafter listed on 3rd November 2025, when the Advocate representing DSP informed the Tribunal that the record of default has been filed with NeSL and further requested the Tribunal for some time to file the same before the Tribunal. The same was granted by the Tribunal. Further, the Advocate representing CDNRPL requested 3 weeks' time to file a reply to the Application. The same was granted by the Tribunal and thereafter the Application was adjourned to 16th December, 2025. Thereafter, the aforesaid Application was listed on 15th December, 2025, when the Advocate representing DSP informed the Tribunal that a copy of board resolution duly signed by DSP's authorised representative and record of financial information has been filed by DSP. The Tribunal directed DSP to also file its record of default before the Tribunal, by the next date and recorded that the Order dated 29th July, 2025 has been partly complied with by DSP. Advocate representing CDNRPL sought time from the Tribunal to file its reply to the above Application. The Tribunal acceded to the request made by Advocate representing</p> |

| Sr. No. | Parties  | Case no. / Pending before Forum or Court   | Status | Brief Facts   |
|---------|--|--|--------|---|
|         |  |  |        | <p>CDNRPL and granted 2 weeks' time to CDNRPL for filing its reply and for DSP to file its rejoinder (if any) within 3 weeks thereafter. Thereafter, the Tribunal adjourned the hearing of the above Application to 19th January, 2026. The above Application was listed on 19th January, 2026, the Tribunal was informed that a copy of CDNRPL's reply to the above Application was served on the same date i.e. 19th January, 2026 at 2:00 a.m. and therefore DSP sought time to file a rejoinder to the same. The Tribunal acceded to this request and directed DSP to file its rejoinder to CDNRPL's reply within four weeks. Thereafter, the Tribunal adjourned the hearing of the Application to 17th March, 2026. On 17th March, 2026, the Advocate representing CDNRPL informed the Tribunal that a copy of the Reply was served upon them on 16th March, 2026 and therefore sought time from the Tribunal to peruse the same. The Tribunal acceded to this request and adjourned the hearing of the Application to 3rd June, 2026.</p> |
| 7       | <p>DSP Mutual Fund<br/><br/>Vs<br/><br/>State of NCT of Delhi &amp; Anr.</p> | <p>Application Filing 13559 of 2025 before the Chief Judicial Magistrate, Patiala House Court, Delhi under Section 503 of the Bharatiya Nagrik Suraksha Sanhita, 2023 ("BNSS")</p> | Closed | <p>DSP Mutual Fund (Fund) through its AMC has filed a criminal application Filing No. 13559 of 2025 ("Application") before the Chief Judicial Magistrate, Patiala House Court, Delhi under Section 503 of the Bharatiya Nagrik Suraksha Sanhita, 2023 ("BNSS"), seeking directions ordering the police station(s) in charge to</p>  |

| Sr. No. | Parties | Case no. / Pending before Forum or Court | Status | Brief Facts   |
|---------|---------|--|--------|---|
|         |         |  |        | <p>release the lien marking on the Fund's various bank accounts with Axis Bank and Citibank N.A. The said bank accounts were lien marked in respect of a total amount of INR 4,82,56,471/-, presumably under Section 106 of BNSS pursuant to a complaint lodged on the National Cybercrime Reporting Portal bearing reference no. 20807250047769 ("Complaint"). While the Fund has not yet been furnished a copy of the Complaint or any FIR filed pursuant thereto, it appears that a Complaint was lodged by an individual ("Complainant") against another individual ("Accused") both of whom are unconnected to the Fund. The Fund is informed that the reason why its bank accounts are lien marked is because the Accused allegedly defrauded the Complainant and a part of the proceeds of the fraud were invested by the Accused into an intermediary ("Intermediary") which then invested the amounts with the Fund. In its Application, the Fund has clarified that all of the amounts invested by the Intermediary have been redeemed much before the lodging of the Complaint and the Fund does not possess the alleged proceeds of the alleged crime. Thus, the Fund has sought that the lien marking should be immediately lifted as it has no nexus with the alleged crime or the proceeds of the alleged crime. The court by virtue</p> |

| Sr. No. | Parties | Case no. / Pending before Forum or Court | Status | Brief Facts   |
|---------|---------|--|--------|---|
|         |         |  |        | of its order dated August 08, 2025, agreed to the submission made by the Fund and has ordered to lift the lien marking of the accounts from immediate effect. |

Investors can contact Investment Manager to get the more information on the pending litigations.

- (ii) From the records, the following are the pending disputed tax liabilities and Contingent Liabilities against DSPAM not acknowledged as Debt:

| Sr. No. | Statute                         | Nature of Dues   | Forum where Dispute is pending  | Period to which the amount relates  | Amount involved* |
|---------|---------------------------------|--|---|-------------------------------------|------------------|
| 1       | Service Tax (Finance Act, 1994) | During EA Audit 2000 audit for FY: 2004-05 to 2008-09 towards payment of additional amount of interest on differential amount of service tax paid by DSPIM. Notice Dt 23.Oct-2008  | Superintendent (Audit) Office of the Commissioner of the Central Excise   | Service Tax- FY: 2004-05 to 2008-09 | 24,12,000        |
| 2       | Service Tax (Finance Act, 1994) | During EA Audit 2000 audit for FY: 2014-15 to 2016-17 towards Service Tax on transaction charges collecte from Investor and paid to distributor. Notice Dt 30.Sep-2020   | In Process of Filing Appeal before CESTAT   | Service Tax- FY: 2014-15 to 2016-17 | 17,89,967        |
| 3       | Service Tax (Finance Act, 1994) | Service Tax Refund due to DSP, base on Service Tax Return (Revised) as per Trans provision of Goods & Service Tax Act.   | Customs, Excise and Service tax Appellate Tribunal West Zonal Bench has redirected to Refund Sanctioning Authority. | Service Tax- FY: 2017-18            | 1,11,77,416      |
| 4       | The Income Tax Act, 1961        | Contingent liability only for 14A.<br>(i) Disallowance of expenses under section 14A of the Income-tax Act, 1961 (Act)<br>(ii) Short credit of Tax Deducted at Source (TDS) granted<br>(iii) Levy of interest under section 234B and 234C of the Act | Commissioner of Income-tax (Appeals) (Case referred back by ITAT)   | A.Y. 2006-2007                      | 89,252           |

|   |                          |  |                                      |                |           |
|---|--------------------------|--|--------------------------------------|----------------|-----------|
| 5 | The Income Tax Act, 1961 | Contingent liability only for 14A.<br>(i) Disallowance of expenses under section 14A of the Act<br>(ii) Levy of interest under section 234B of the Act | Commissioner of Income-tax (Appeals) | A.Y. 2012-2013 | 28,21,279 |
| 6 | The Income Tax Act, 1961 | Contingent liability only for 14A.<br>(i) Disallowance of expenses under section 14A of the Act<br>(ii) Levy of interest under section 234B of the Act | Commissioner of Income-tax (Appeals) | A.Y. 2013-2014 | 32,65,239 |
| 7 | The Income Tax Act, 1961 | Contingent liability only for 14A.<br>(i) Disallowance of expenses under section 14A of the Act<br>(ii) Short credit of TDS granted                    | Commissioner of Income-tax (Appeals) | A.Y. 2014-2015 | 38,35,526 |
| 8 | The Income Tax Act, 1961 | (i) Disallowance of expenses under section 14A of the Income-tax Act, 1961 (Act)<br>(ii) Disallowance of deduction claimed u/s 80G                     | Commissioner of Income-tax (Appeals) | A.Y. 2018-2019 | 32,57,729 |

|    |                               |   |  |   |              |
|----|-------------------------------|---|--|---|--------------|
| 9  | The Income Tax Act, 1961      | (i) Disallowance of expenses under section 14A of the Income-tax Act, 1961 (Act)<br>(ii) Disallowance of deduction claimed u/s 80G<br>(iii) Disallowance of Gratuity paid during the year<br>(iv) Disallowance of ICDS Adjustment for Depreciation as per books and as per IT Act<br>(v) Penalty order received on <b>31st Dec 2024</b> for Rs 37,73,900/- wherein Penalty was leveled on 80G & 14(A) disallowance. | Commissioner of Income-tax (Appeals) & Income Tax Appellate Tribunal | A.Y. 2020-2021                                | 1,62,67,305  |
| 10 | Goods & Service Tax Act, 2017 | (i) Excess Claim of ITC on reverse charge supplies<br>(ii) ITC claimed on Ineligible supplies mentioned in Sec. 17(5)   | GST Appellate Authority  | F.Y. 2018-19                                  | 5,00,042     |
| 11 | Goods & Service Tax Act, 2017 | Disallowance of ITC on distributor's commission paid directly to Distributors as well as reimbursed to Mutual Fund  | In Process of Filing Appeal before GSTAT                             | FY 2017-18 and FY 2018-19 (July 17 to Oct 18) | 37,06,33,376 |
| 12 | Goods & Service Tax Act, 2017 | ITC Mismatch GSTR3B vs 2A   | GST Appellate Authority  | FY 2020-21                                    | 9,65,471     |

*\*Amount involved represents tax amount. Interest & penalties may be applicable as per relevant provisions.*

Further, below are details pertaining to contingent liabilities and Disputes tax liabilities of Sponsors, its associates and Directors:

| Sr. No. | Entity/Directors           | Statute              | Nature of Dues                                   | Forum where Dispute is pending | Period to which the amount relates (AY) | Amount involved |
|---------|----------------------------|----------------------|--|--------------------------------|---|-----------------|
| 1       | Aditi Kothari Desai        | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru                 | 2024-25                                 | 1,41,818        |
| 2       | DSP Adiko Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru                 | 2023-24                                 | 10,45,800       |
| 3       | DSP Adiko Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CIT(A), NFAC                   | 2020 - 21                               | 1,50,00,561     |
| 4       | DSP Adiko Holdings Pvt Ltd | Income Tax Act, 1961 | TDS  | Traces                         | Traces                                  | 1,42,115        |
| 5       | DSP HMK Holdings Pvt Ltd   | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru                 | 2008-09                                 | 62,24,353       |
| 6       | DSP HMK Holdings Pvt Ltd   | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru                 | 2015-16                                 | 1,92,39,310     |

|    |                          |                      |  |                |         |             |
|----|--------------------------|----------------------|--|----------------|---------|-------------|
| 7  | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CIT(A), NFAC   | 2018-19 | 4,78,67,418 |
| 8  | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CIT(A), NFAC   | 2018-19 | 3,11,914    |
| 9  | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CIT(A), NFAC   | 2018-19 | 4,03,112    |
| 10 | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CIT(A), NFAC   | 2020-21 | 56,369      |
| 11 | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru | 2023-24 | 160         |
| 12 | DSP HMK Holdings Pvt Ltd | Income Tax Act, 1961 | TDS  | Traces         | Traces  | 9,701       |
| 13 | DSP Investment Pvt Ltd   | Income Tax Act, 1961 | Disputed Income Tax Liability                    | CIT(A), NFAC   | 2022-23 | 2,69,68,650 |

|    |                                    |                      |  |                       |         |             |
|----|------------------------------------|----------------------|--|-----------------------|---------|-------------|
|    |                                    |                      | including interest                               |                       |         |             |
| 14 | DSP Investment Pvt Ltd             | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | FAO, DELHI            | 2024-25 | 24,17,080   |
| 15 | DSP Investment Pvt Ltd             | Income Tax Act, 1961 | TDS  | Traces                | Traces  | 90,013      |
| 16 | DSP Core Services Pvt Ltd          | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru        | 2003-04 | 79,37,440   |
| 17 | DSP Core Services Pvt Ltd          | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | ITO, Circle - 3(3)(1) | 2017-18 | 64,51,686   |
| 18 | DSP Core Services Pvt Ltd          | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru        | 2002-03 | 88,22,712   |
| 19 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru        | 2005-06 | 2,09,60,202 |

|    |                                    |                      |  |                       |         |           |
|----|------------------------------------|----------------------|--|-----------------------|---------|-----------|
| 20 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | ITO, Circle - 3(3)(1) | 2017-18 | 50,29,664 |
| 21 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | AO, Mumbai            | 2019-20 | 12,372    |
| 22 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru        | 2021-22 | 14,66,923 |
| 23 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | CPC, Bengaluru        | 2003-04 | 69,37,287 |
| 24 | Reclamation Realty (India) Pvt Ltd | Income Tax Act, 1961 | Disputed Income Tax Liability including interest | ITO, Circle - 3(3)(1) | 2017-18 | 2,706     |

*Amount involved represents tax amount. Interest & penalties may be applicable as per relevant provisions.*

(iii) From the records, appended is the summary of past administrative warnings/deficiencies letters:

- a. SEBI had in the past, over two independent occasions, had found that certain sales literature issued by AMC were not in line with advertisements guidelines. SEBI had observed that AMC had processed instalments of Systematic Investment Plan /Systematic Transfer Plan in the Direct Plan with a lag of one month after introduction of Direct Plan which was not in line with the relevant SEBI circular.

- b. SEBI had observed that one of the schemes of DSP Mutual Fund ('MF') was not in compliance of the prescribed rule of having minimum of 20 investors with no investor holding more than 25 % of the scheme net assets.
- c. SEBI had advised AMC to comply with the guidelines of parking funds in short term deposits of scheduled commercial banks at all points of times.
- d. Pursuant to disclosures in periodical Compliance Test Report for the MF, SEBI had advised AMC to take due care in future for avoidance of recurrence of exceptions related to disclosures in half yearly financials, monitoring gross exposure limits for scheme and transactions by access person and incorrect disclosure of repurchase price of one of the schemes of MF on AMFI's website.
- e. SEBI had advised AMC that post allotment of units in closed ended debt schemes, there should not be reversal before maturity.
- f. Pursuant to disclosures in the periodical Compliance Test Report for the MF, SEBI had observed the non-compliance of the sectoral limit specified in the SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2017/14 dated February 22, 2017. SEBI has advised AMC to take due care in future and improve compliance standards to avoid recurrences of such instances.
- g. SEBI has post completion of routine regulatory inspection for DSP Mutual Fund and Computer Age Management Services Limited (Registrar and Transfer Agent to DSP Mutual Fund) has warned and advice AMC on cases exceeding TER Limit for close ended scheme, extension of NFO period by 1 day in case of close ended scheme, IAF Facility to other than resident individual investor and for failure to time stamp switch/redemption request. Apart from above there was certain deficiency were observed by SEBI and has advised AMC to avoid recurrence of such expenses.
- h. DSP Mutual Fund initiated a transaction on RFQ platform in which it had inadvertently captured incorrect price on the RFQ platform. After the error was identified, DSP Mutual Fund immediately agreed to cancel the transaction. SEBI vide its letter dated November 23, 2020 has advised DSP Mutual Fund to exercise caution and be careful while executing transactions on RFQ platform in future, failing to which appropriate penal action shall be taken.
- i. Pursuant to disclosures in periodical Compliance Test Report and Half yearly Trustee Report for the MF, SEBI had advised AMC to take corrective actions related to correctly capturing of Physical application data in the system, transactions are not accepted through suspended distributors, ensuring compliance with Code of conduct for Fund Managers and Dealers.
- j. SEBI had warned and advised AMC, to take due care in submission of Offsite inspection cum surveillance data.
- k. Pursuant to disclosure in periodical Compliance Test Report and Half yearly Trustee Report for the MF, SEBI had advised to take due care in future where due to restriction on overseas investment certain scheme expenses were charged to the books of AMC.
- l. Pursuant to disclosures in periodical Compliance Test Report and Half yearly Trustee Report for the MF, an Adjudication Order dated December 29, 2022 was issued in the matter of practice of charging total expense ratio to AMC books by DSP Mutual Fund in case of DSP Nifty 50 ETF. Pursuant to said order, a monetary penalty of Rs. One lakh each has been imposed on DSP Investment Managers Private Limited and DSP Trustee Private Limited which was paid on January 30, 2023 and January 27, 2023, respectively.
- m. SEBI has warned and advised AMC to take due care and improve compliance standards to ensure that the Investor Education and Awareness funds are not utilized for brand building and advertising schemes of Mutual Fund.

- n. SEBI has issued a letter on February 27, 2023 wherein they have noticed certain irregularities/deficiencies in B-30 incentive mechanism by Mutual fund which is not in compliance with the spirit of SEBI regulations.
- o. SEBI vide its letter dated October 20, 2023 has warned and advised DSPAM to take due care and improve compliance standards to ensure that the investments made by DSP Focus Fund in Index derivatives are in line with the regulatory requirements.
- p. SEBI vide its letter dated February 07, 2024 has advised AMC to strengthen its Internal control system to comply with the guidelines with alignment of interest of AMC with unitholders of MF schemes.
- q. SEBI vide its letter dated July 07, 2025 has warned and advised DSPAM to put in place necessary system level controls in place for KYC related matters handled by their RTA.
- r. SEBI issued a letter on July 09, 2025 wherein on examination of the Cyber Security Incident Investigation report, lapses were identified in monitoring clauses of the Cyber Security Circular and Monitoring vendor compliances in existing agreements. SEBI has warned and advised putting in place necessary system level controls in place for monitoring vendor compliances in existing agreements in line with SEBI Circular on Cyber Security and Cyber Resilience framework for Mutual Funds/AMCs.
- s. SEBI vide its letter dated September 10, 2025 has advised to ensure adequate controls are in place to avoid erroneous casting of votes, to ensure adequate controls are in place so that the investments made are consistent with the stated investment objectives of the scheme; to ensure that the cumulative gross exposure are as specified under the SEBI Master Circular dated March 20, 2026.
- t. SEBI on January 07, 2026 has issued administrative warning/Advisory letter on SEBI Inspection cum surveillance of Mutual Funds for the period October 01, 2024 to March 31, 2025.
- u. SEBI vide its letter dated March 13, 2026 has issued a warning for non-adherence to its earlier communication dated October 29, 2019, regarding investor education and advisory on other operational matters as a part of routine regulatory inspection of the DSP Mutual Fund and its Registrar and Transfer Agent for the period April 01, 2024 to March 31, 2025.

Over and above the aforesaid instances, SEBI had issued warning/deficiencies letters to DSPAM/AMC post the routine regulatory inspection of the DSP Mutual Fund and its Registrar and Transfer Agent. In all the aforesaid matters, DSPAM has taken requisite action and had submitted responses to SEBI explaining the position of DSPAM and confirming actions taken as per instructions of SEBI. Investors may approach the Investment Manager to obtain further information on these matters.

There are No cases of non-payment of statutory dues, overdue to/defaults against banks or financial institutions, contingent liabilities not provided for, or disputed tax liabilities\* or tax penalties\* for an amount higher of INR 500,000 in last 5 years for Fund and DSP Mutual Fund.

\*Tax disputes / penalty levied in arbitration at the Tribunal or higher authorities. For the sake of brevity, DSPAM has summarized list of all the past tax communications / tax compliance documents and in case an investor wants to seek further details thereof they may contact DSPAM for the matters.

Further, DSP HMK Holdings Private Limited (HMK) and DSP Adiko Holdings Private Limited (Adiko) had received regulatory observation letters pursuant to routine regulatory inspection. HMK and Adiko have submitted requisite responses to the concerned regulator explaining their position and confirming actions taken.

Note: For the sake of brevity, DSPAM has summarised past administrative warnings/deficiencies letters, however, in case an investor wants to seek further details thereof they may contact DSPAM.

Apart from the details disclosed above there are no other outstanding/pending and past cases (where the person has been found guilty) of litigations, criminal or civil prosecution, disputes, non-payment of statutory dues, overdues to/defaults against banks or financial institutions, contingent liabilities not provided for, proceedings initiated for economic offences or civil offences, adverse findings with respect to compliance with securities laws, penalties levied, disputed tax liabilities, etc pertaining to AIF, sponsor, manager and their Directors and associates available on records.

**Details of key personnel of the Investment Manager**

In accordance with paragraph 13.1.2 of SEBI Master Circular, the details of the key management personnel of the Fund and the Investment Manager are as follows:

| <b>Name</b>  | <b>Age</b> | <b>Qualification</b>          | <b>Brief Experience</b>   |
|--|------------|-------------------------------|---|
| *Mr. Kalpen Parekh -<br>Managing Director & Chief<br>Executive Officer (CEO) | 52         | MMS (Finance),<br>BE Chemical | <p>Mr. Kalpen Parekh is the Managing Director &amp; Chief Executive Officer of DSP Asset Managers Private Limited-. and a member of the Executive Committee. Kalpen has over 23 years of experience in sales across client segments, distribution and marketing. He joined DSP as a Joint President in Feb, 2017. He was previously Managing Director and Head of Sales &amp; Marketing at IDFC Mutual Fund. He has also served in Birla Sun Life Asset Management Company Limited and ICICI Prudential Asset Management Company Limited after beginning his career with L&amp;T Finance Ltd.</p> <p>Kalpen holds a Master's Degree in Management Studies in Finance from the Narsee Monjee Institute of Management Studies, as well as a Bachelor's Degree in Chemical Engineering from Bharati Vidyapeeth, Pune.</p>                                  |
| Mr. Harsh Kothari<br>(Chief Operating Officer)                               | 52         | Chartered<br>Accountant       | <p>From August 01, 2024 till date: Chief Operating Officer at DSP Asset Managers Private Limited.</p> <p>From April 01, 2023 to July 31, 2024: Advisor to Chairman and Managing Director &amp; CEO at DSP Asset Managers Private Limited.</p> <p>From April 18, 2018 to March 31, 2023: Advisor to Chairman and Managing Director &amp; CEO at DSP Investment Managers Private Limited.</p> <p>From July 1, 2017 to April 16, 2018: Director at Karan Kothari Jewellers Private Limited.</p> <p>From June 24, 2002 to June 30, 2017 worked with DSP BlackRock Investment Managers in various positions. Last he was heading the Finance &amp; Operations department</p> <p>From July 2000 to June, 2002: Audit Executive at S.R. Batliboi &amp; Co., Chartered Accountant.</p> <p>From July 1997 to July 2000: Practiced as a Chartered Accountant.</p> |
| *Mr. Gaurav Pant - Fund<br>Manager   | 46         | B.E (Mech)<br>PGDM (IIM A)    | <p>In March 2014, Gaurav joined DSP and has over 12 years of experience in Investment Banking and Investment</p>  |

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|  |    |   | Management. He started his career in 2003 in Goldman Sachs, London working in the Financing Group (Investment Banking Division). In 2007, he moved to Goldman Sachs Principal Strategies in London focusing on European Equities. In 2011, Gaurav joined Dalton Capital to set up their Indian long-short fund. He has a degree in Mechanical Engineering from Delhi College of Engineering and Post Graduate Diploma in Management from IIM, Ahmedabad.. Further, he is also managing offshore fund(s) and providing non-binding advisory services to offshore investment manager.   |
| *Mr. Suryanarayanan Manian –<br>Co-Fund Manager              | 41 | PGDM (IIM A)<br>BE (Mechanical)<br>CFA Charterholder  | Mr. Suryanarayanan Manian has been with the AIF team since Aug 2022 focusing on consumer discretionary, internet, metals & pre-IPO opportunities. He was earlier with the MF team since Jan 2014 with focus on consumer, technology, media and telecom sectors. He was the fund manager for DSP Technology.com Fund (Jul 2015-Jul 2017) & DSP A.C.E. Fund (Dec 2017-Jun 2021). He was earlier with the Product Management Group of the firm from Jul 2011-Dec 2013. He had started his career with the Private Wealth Management desk of Anand Rathi in May 2008, where he handled sales and product responsibilities. He has completed his PGDM from Indian Institute of Management, Ahmedabad and BE (Mechanical) from Anna University, Chennai. He is also a CFA Charter-holder. |
| *Mr. Dhaval Gada<br>Co-Fund Manager<br>(w.e.f. May 01, 2026) | 39 | PGDM from<br>Welingkar<br>Institute of<br>Management.   | Dhaval Gada has been part of the AIF team since July 2025, where he focuses on Financials, Automobiles, Consumer sectors, and pre-IPO opportunities. Prior to this, he was associated with DSP Mutual Fund from September 2018, serving as a Fund Manager with a primary focus on the Financials sector.<br><br>Before joining DSP, he gained extensive experience working with reputed organizations such as Sundaram Asset Management, Motilal Oswal, Morgan Stanley, Edelweiss Capital, and Gridstone Research.  |
| Dr. Pritesh Majmudar -<br>Compliance Officer                 | 48 | B.Com, LLM,<br>Company<br>Secretary, Ph.D<br>(Law), PGDSL -<br>Government<br>Law College,<br>Mumbai | Dr. Pritesh Majmudar is the Compliance Officer of DSP Asset Mangers Private Limited and designated as Head - Legal & Compliance. He had joined DSP in December 2007 as Manager in the Legal & Compliance department<br><br>He had also worked with Morgan Stanley Advantage Services Private Limited from March 2004 to November 2007 as Senior Associate and Company Secretary   |
| *Mr. Pranjal Vora - Chief<br>Risk Officer (CRO)              | 44 | B.Com,<br>Chartered<br>Accountant   | He joined DSP in December 2014. He is the Chief Risk Officer and is responsible for the Enterprise Risk   |

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|  |  |  | <p>Management. He has an overall experience of 17 years in the Mutual fund and banking industry.</p> <p>He has held position of Vice President at DSP managing the fund administration activity across multiple line of business i.e. Mutual fund, Alternate investment funds &amp; Offshore business from December 2014 to April 2022.</p> |
|--|--|--|---|

\*Forms the part of the Key Investment Team

### **Details of the Members of the Investment Committee**

1. MD & CEO of DSPAM (Chairman)
2. Chief Risk Officer (CRO)
3. Fund Manager(s) of the Scheme

Scope of Investment Committee shall be limited to approve passive breaches, distributions etc. However, the Fund Manager of the Scheme shall continue to held responsible/liable with respect to day to day investment decisions taken while managing the Scheme of the Fund.

### **Duties & Responsibilities of the Investment Manager**

Under the terms of the Investment Management Agreement entered into between the Trustee and the Investment Manager, the Trustee has delegated all the investment and divestment decisions of the Scheme to the Investment Manager, subject to overall supervision of and approval by the Trustee. The Investment Manager is responsible for managing and administering the Scheme's investments in accordance with the Scheme's investment objectives and investment strategies, subject to the overall supervision and control of the Trustee. All authority of investment and divestment rests with the Investment Manager, which will act through its board of directors.

The directors of the Investment Manager are professionals with proven track record. Under the terms of the Investment Management Agreement, the Investment Manager, its duly authorised agents shall not be liable for (i) any error of judgment or mistake of law, or (ii) for any loss arising out of any investment or investment recommendations for the Scheme except for gross negligence, fraud or wilful misconduct. The Trustee undertakes to hold harmless and indemnify the Investment Manager, its duly authorised agents and delegates against all judgments, fines and amounts and all expenses reasonably incurred in connection with legal, administrative or investigation proceedings where the Investment Manager or any person acting on its behalf acted honestly and in good faith with a view to the best interests of the Scheme and in the case of criminal proceedings, where these persons had no cause to believe that their conduct was unlawful.

The Investment Management Agreement may be terminated in accordance with the terms of the Investment Management Agreement.

### **Custodian**

As per the provisions of the SEBI (Alternative Investment Funds) Regulations, 2012, the Scheme shall appoint a third-party custodian for maintaining and safekeeping the investments. For this purpose, the Trustee has appointed The Hongkong and Shanghai Banking Corporation Ltd., a banking company having its office at NESCO IT Park, NESCO Complex, 11<sup>th</sup> Floor, Building No. 3, Western Express Highway, Goregaon, Mumbai, 400063, India, as the Custodian pursuant to the Custodian Agreement.

In accordance with the terms of the Custodian Agreement, the Custodian shall have the authority to complete and sign any affidavits, certificates of ownership or other certificates relating to the securities and/or cash which may be required by the tax or any other regulatory authority; collect and receive all income and other payments and distributions in respect of the securities and/or cash, and credit the same to the Scheme's account; to receive and hold for the account of the Scheme any capital arising out of or in connection with the securities and/or cash whether as a result of its being called or redeemed or otherwise becoming payable and credit the same to the Scheme's account; receive and hold for the account of the Scheme all securities received by the Custodian as a result of a stock dividend, share sub-division or reorganization, capitalization of reserves or otherwise; exchange interim or temporary receipts for definitive certificates, and old or overstamped certificates for new certificates; make cash disbursements or payments for any fees, taxes, duties, levies, expenses and/or any payments except for settlement of securities/foreign exchange transactions; undertake any currency conversion at the prevailing rate as reasonably determined by the Custodian where any payment is received or to be made in a different currency and do all such acts as the Custodian may consider to be necessary or desirable for the above or in order to perform its duties under the Custodian Agreement.

The Custodian shall inform the Scheme of notices that it receives in respect of any bonus issues, rights issues, payment calls, takeover bids or general meetings of the issuers/companies in relation to the securities. The Custodian shall also be responsible to review corporate action notice/offer documents, which may contain restriction or exclusion clauses and act upon the same in accordance with instructions from the Scheme.

The Custodian shall not mingle its own assets with the securities held for the Scheme and where securities are physically held by the Custodian, such securities shall be physically segregated from the securities of the Custodian or other clients of the Custodian and maintain separate records with respect to securities held for the Scheme.

The Trustee will indemnify the Custodian and hold it harmless against all charges, costs, damages, losses, claims, liabilities, expenses, fees and disbursements (together with any value added tax or similar tax imposed from time to time), which the Custodian may suffer or incur howsoever in connection with or arising from the Custodian Agreement, except in case of negligence or wilful misconduct of the Custodian.

#### **Other Intermediaries**

The Fund in the ordinary course of making Investments may need to appoint / engage stock brokers and / or other market intermediaries.

#### **Target Investors**

Units of the Fund are being placed with High Net Worth Individuals, Corporate, Financial Institutions, and all NRI investor(s)/ FPIs who are eligible to subscribe to the units of the Fund.

## 7. CONFLICT OF INTEREST

### 1. Description of the entities involved in the activities of the Fund / Scheme(s):

- a. DSP Asset Managers Private Limited, (DSPAM), the Investment Manager to the Scheme, serves as the Asset Management Company (AMC or DSPAM) to DSP Mutual Fund (Mutual Fund).
- b. DSP Trustee Private Limited (Trustee) serves as the Trustee to the Fund / Scheme(s) and also to the Schemes of DSP Mutual Fund.

### 2. Other activities / ventures of the entities referred to in clause 1 above.

- a. DSPAM provides investment management and/or trade execution related services to offshore sovereign funds, which invests through FPI route. DSPAM also acts as an Investment Manager to DSP Alternative Investment Fund Category -II.
- b. DSPAM is the holding company and also acts as a Sponsor to DSP Pension Fund Managers Private Limited. ("DSPPFM"). Further, in terms of Regulation 21 of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time, SEBI has granted No objection to DSPAM to undertake the Point of Presence business through DSPPFM.
- c. DSPAM is the holding company of DSP Fund Managers IFSC Private Limited ('DSP IFSC')
- d. DSPAM provides investment management services to DSP Global Funds ICAV, an umbrella type Irish Collective Asset-management Vehicle.
- e. DSP Trustee Private Limited (Trustee) also serves as the trustee to the Mutual Fund. The Trustee acts as a Trustee to DSP Alternative Investment Fund Category -II.
- f. DSPAM provides a non-binding advisory services to the offshore funds / offshore investment manager, who is managing an offshore fund which will invest through FPI route.
- g. DSP HMK Holdings Private Limited and DSP Adiko Holdings Private Limited (collectively referred as Sponsors) also serve as the Sponsors to the Mutual Fund. The Sponsors have been functioning as investment companies, dealing in the acquisition and holding of various investment instruments in the securities market in India.

### 3. Potential conflicts:

DSP HMK Holdings Private Limited and DSP Adiko Holdings Private Limited (collectively referred as Sponsors) also serve as the Sponsors to the Mutual Fund. The Sponsors have been functioning as investment companies, dealing in the acquisition and holding of various investment instruments in the securities market in India.

Conflicts of interest may be inherent inter se the activities of the Investment Manager, the Trustee, and the Contributors vis-à-vis the operation of the Scheme. The Trustee may enter into or approve a transaction or arrangement or any investment ("**Conflicted Transaction**") notwithstanding that it or any of its directors, officers, employees or agents or the Investment Manager, or members of the Investment Committee or any of their respective directors, officers, employees or agents or Affiliates (each person, individually or collectively referred to as "**Interested Person**") may have any direct or indirect interest or concern in such Conflicted Transaction, *provided that* such interest or concern or conflict of interest involving the Trustee or Investment Manager shall have been disclosed in full to the Unit Holders.

The Investment Manager shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflict of interest on a continuous basis throughout the term of the Fund. Such conflicts shall be endeavoured to be managed as per the provisions of the Contribution Agreement.

Set forth below are some of the conflicts of interest that may occur. It is possible that other actual and potential conflicts of interest may arise. The Manager & the Trustee, will endeavour to resolve all such conflicts in a fair, reasonable and equitable manner and considering the best interest of the fund / Schemes(s), or disclose Conflicted Transaction to the Unit Holders as provided above. However, there can be no assurance that any such resolution will be in the manner most favourable to the Scheme(s) / the Fund and the Contributors / Unit holders.

- a. The services of the Manager, the Trustee, the directors / officers / employees of the Manager and the Trustee are not exclusive and each such person is free to render similar services to other persons so long as the services to be performed are not impaired thereby and to retain for its own use and benefit all fees or moneys receivable thereby. Manager / Sponsor / Trustee may act as Manager / Sponsor / Trustee to other funds. The Manager is involved in a variety of investment-related and non-investment-related activities and intends to remain so in the future. The Manager may have conflicts of interest in allocating management time, services, functions and investment opportunities among all its activities / ventures.
- b. The Manager and its affiliates may sponsor, manage or incubate other investment funds that may have investment strategies similar to the Scheme(s) / the Fund. If in the future any of them manage or advise additional investment vehicles other than the Scheme(s) / the Fund, conflicts of interest between the Scheme(s) / the Fund and such other investment vehicles are possible. For instance, the Manager may use a similar investment program in its investment-related activities for such other funds as is used for the Scheme(s) / the Fund and, therefore, investments made in connection with such other funds might “compete” with Investments made by the Scheme(s) / the Fund.
- c. The Manager and their affiliates may invest and trade for their own accounts or on behalf of the other funds / activities / ventures managed / advised (“**Other Funds**”) by them. Any of them may take action with respect to Other Funds that differs from action taken with respect to the Scheme’s / the Fund’s Investments. These differences may result from several factors, including differences in investment objectives, volatility and turnover tolerance, the degree to which accounts are fully invested, time horizons, derivative instruments permitted to be used, and underlying positions to be hedged. The possible taking of inconsistent investment positions could result in a situation where the position taken for the Scheme(s) / the Fund is unprofitable while the opposite position taken on behalf of Other Funds is profitable.
- d. The Manager and their affiliates may invest and trade for their own accounts or on behalf of the Other Funds by them. If purchases or sales of securities for the Scheme(s) / the Fund or Other Funds arise for consideration at or about the same time, such transactions will be made, in of far as feasible, for the relevant Fund / Scheme / Other Fund in a manner deemed equitable to all. There may be circumstances when purchases or sales of securities for one or more funds/schemes have an adverse effect on other funds / schemes.
- e. The Management Fees as well as Performance Fees payable to the Manager by the Scheme(s) / the Fund have not been negotiated at arm’s length. These rates are comparable to similar rates that are charged for similar services.
- f. DSP Asset Managers Private Limited acts as the Investment Manager of the Scheme. DSPAM acts as the Asset Management Company (AMC) to DSP Mutual Fund and also provides investment management/advisory and trade execution related services to offshore sovereign funds. DSPAM also acts an Investment Manager to DSP Alternative Investment Fund Category -II. DSPAM also provides non-binding advisory and execution services to the offshore funds/ offshore investment manager, who is managing an offshore fund, which will invest through FPI route. Further, DSPAM provides investment management advice and execution services to DSP ICAV, an umbrella type Irish Collective Asset-management Vehicle. DSPAM is the holding company to DSP Pension Fund Managers Private Limited (DSPPFM) and it acts as a Sponsor

to DSPPFM in accordance with Pension Fund Regulatory and Development Authority Regulations, 2015 (PFRDA Regulations) and PFRDA letter dated July 10, 2023 and in accordance with SEBI approval dated January 03, 2013, under Regulation 21 (erstwhile Regulation 24) of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time. Further, in terms of Regulation 21 of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time, SEBI has granted No objection to DSPAM to undertake the Point of Presence business through DSPPFM.

DSPAM is the holding company to DSP Fund Managers IFSC Private Limited ('DSP IFSC'). Pursuant to SEBI approval dated February 8, 2023 and IFSC approval dated August 31, 2023 and other applicable regulatory approvals, DSP IFSC provides investment management and/or advisory services to the Funds set up under IFSCA (Fund Management) Regulations, 2022. DSPAM provides non-binding advisory services to a DSP IFSC in accordance with Regulation 21 (erstwhile Regulation 24) of SEBI (Mutual Funds) Regulations, 2026 or any other applicable law as may be amended or re-enacted from time to time. These could potentially limit the investments of the Scheme as a result of aggregation limits as per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

- g. The Scheme may make temporary investments in DSP Mutual Fund schemes and fixed deposits, pending deployment of funds as per the investment objective of the Scheme. Also the Scheme may place G-Secs, Treasury Bill, units of mutual funds, fixed deposits and other approved securities as margin for derivative position subject to applicable haircut rates.
- h. The Fund does not have a Soft-dollar agreement / arrangement with any of the empanelled brokers for the Scheme. The research reports/material provided by the brokers are used for the best interest of investors, for making portfolio management decisions. Further, the Scheme is not liable or obliged to use the services of any broker for trade execution in lieu of these research reports.
- i. The Fund in accordance with the enabling provisions mentioned in the Private Placement Memorandum ("PPM") & Contribution Agreement of the Scheme the Investment Manager has charged differential management fees to different investors based on their amount of contribution and mode of contributing towards the corpus of the Scheme.
- j. Ms. Shuchi Kothari, Executive Director of the Investment Manager also acts as a partner for Greenstone Fund Manager LLP which is managing Category II AIF by holding 10.10% stake in the LLP. Further she also acts as a partner in Greenstone Sponsor & Manager LLP which is Sponsor to the said Category II AIF by holding 14.99% stake in the LLP. Greenstone entities fall within the definition of 'Group Company' of the Investment Manager as per SEBI Mutual Fund Regulations, 2026. The Fund may participate in any investee company where the Greenstone AIF has invested. In such cases, there could be a potential conflict between the interests of the Fund and those of the Greenstone AIF.

The Trustee and the Manager would endeavour to ensure that aforesaid conflicts of Interest are resolved fairly and in timely manner in line with the general policy of independence to treat the different funds/schemes/activities/ventures independently.

## 8. LEGAL AND REGULATORY CONSIDERATIONS

**THIS SECTION IS ONLY A SUMMARY OF THE RELEVANT LAWS AND REGULATIONS AND IS NOT A COMPREHENSIVE DISCLOSURE OR ADVICE REGARDING ALL THE LAWS AND REGULATIONS APPLICABLE TO THE SCHEME AND ITS INVESTEE COMPANIES.**

**PLEASE NOTE THAT THE SUMMARY OF LEGAL AND REGULATORY CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS AND INTERPRETATIONS OF THE LAWS OF INDIA WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY OR JUDICIAL DECISIONS AND ANY SUCH CHANGES COULD HAVE A DIFFERENT LEGAL AND REGULATORY IMPLICATION.**

**IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING FOR THE UNITS TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED OR HAVE ANY OTHER PRESENCE FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSAL OF THE UNITS.**

**THE FOLLOWING SUMMARY DOES NOT CONSTITUTE LEGAL OR TAX ADVICE. IT IS INTENDED ONLY TO IDENTIFY SOME OF THE ISSUES AND CONSIDERATIONS THAT PROSPECTIVE INVESTORS SHOULD DISCUSS WITH THEIR ADVISORS. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR PROFESSIONAL ADVISORS ON THE POTENTIAL CONSEQUENCES OF SUBSCRIBING FOR, PURCHASING, HOLDING OR REDEEMING THE INVESTOR UNITS UNDER THE LAWS OF THEIR COUNTRY OF CITIZENSHIP, DOMICILE OR RESIDENCE. THE FUND AND THE INVESTMENT MANAGER HAVE NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTION (OTHER THAN REGISTRATION OF THE FUND WITH SEBI IN INDIA), WHICH WOULD AFFORD RELIEF TO INVESTORS OF SUCH JURISDICTION FROM THE NORMAL TAX / REGULATORY REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE UNITS OF THE FUND.**

**THE INFORMATION IN THIS SECTION HAS BEEN EXTRACTED FROM PUBLICLY AVAILABLE DOCUMENTS FROM VARIOUS SOURCES, INCLUDING OFFICIALLY PREPARED MATERIALS FROM SEBI, THE STOCK EXCHANGES, AND HAS NOT BEEN PREPARED OR INDEPENDENTLY VERIFIED BY THE COMPANY OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISORS.**

**THE COMMENTS HEREIN ARE NOT BINDING ON THE INDIAN TAX AUTHORITIES AND THERE CAN BE NO ASSURANCE THAT THESE AUTHORITIES WILL NOT TAKE A POSITION CONTRARY TO ANY OF THE COMMENTS HEREIN. THE FUND AND THE TRUSTEE OR THE INVESTMENT MANAGER AND THEIR RESPECTIVE DIRECTORS NOR ANY OTHER PERSONS INVOLVED SHALL ACCEPT RESPONSIBILITY FOR ANY LEGAL OR TAX EFFECTS OR LIABILITIES RESULTING FROM THE PURCHASE, OWNERSHIP OR DISPOSAL OF THE UNITS.**

The DSP ALTERNATIVE INVESTMENT FUND – CATEGORY III has been settled by DSP HMK Holdings Pvt. Ltd. under the Indian Trusts Act, 1882, and registered under the Registration Act, 1908. DSP Trustee Pvt. Ltd. is the Trustee of the Fund. DSP Asset Managers Pvt. Ltd. is the Manager to the Fund. The Trust is registered with SEBI as an AIF Category III under the SEBI Regulations.

Legal Relationship between Investors and the Fund.

- The legal relationship between the Fund and its Investors shall be governed by the provisions of the Indenture read with the Contribution Agreement that will be entered into by the Trustee, the Manager and the investors to the Fund.
- The Trustee will be subject to the powers, duties and obligations as prescribed under the Indenture.
- Investors of the Fund will be the beneficiaries of the Trust and shall be entitled to distributions as set out in the Contribution Agreement read with the Indenture. The contributions received from the investors shall form part of the corpus of the Fund, which will then be invested in Investee Companies within the investment focus of the Fund.

## 1. **Indian Trusts Act, 1882**

The Fund is a Scheme of Trust that is set up as a contributory trust under the Indian Trusts Act, 1882. The Trust, at all times, shall be subject to the provisions of Indian Trusts Act, 1882 and the Regulations. The Trustee has been appointed as the trustee of the Trust. The Trustee will have the powers and obligations as vested upon it under the Indenture. The Investment Manager shall manage the assets of the Trust and the Fund in accordance with the Investment Management Agreement. The Contributors shall be the Unit holders of the Fund.

## 2. **Indian Securities Laws**

### I. **SEBI (Alternative Investment Funds) Regulations, 2012**

#### (a) **Brief overview of SEBI (Alternative Investment Funds) Regulations, 2012**

The Regulations are a consolidated framework for registration and regulation of all kinds of AIFs that raise private pools of capital from high net worth individuals, banks, insurance companies, body corporates, estates, family offices, non-banking finance companies, societies, hindu undivided families, corporations, partnerships (whether limited or unlimited), limited liability companies, body of individuals, associations, trusts, proprietorships, AIFs, foreign portfolio investors, institutional investors or any other institutions, entities or organizations.

The Regulations define an AIF to mean any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which, (i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and (ii) is not covered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 2026, Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 or any other regulations of SEBI to regulate fund management activities. However, (i) family trusts set up for the benefits of 'relatives' as defined under Companies Act, 2013; (ii) ESOP trusts set up under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 or as permitted under the Companies Act, 2013; (iii) employee welfare trusts or gratuity trusts set up for benefit of employees; (iv) holding companies within the meaning of sub-section 46 of Section 2 of the Companies Act, 2013; (v) other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework; (vi) funds managed by securitisation company or reconstruction company which is registered with the RBI under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and (vii) any such pool of funds which is directly regulated by any other regulator in India, have been excluded from the purview of the Regulations.

The Regulations provide that no entity or person shall act as an AIF unless it is registered with SEBI. The Regulations have categorised AIFs into three categories viz., Category I AIFs, Category II AIFs, and Category III AIFs

Category I AIFs have been further divided into sub-categories viz., venture capital funds, SME Funds, social impact funds, infrastructure funds, special situation funds and such other AIFs as may be specified by SEBI.

AIFs shall not have more than one thousand investors in a scheme. Further, if the AIF is established in the form of a company, the provisions of the Companies Act, 2013 shall be applicable.

The Regulations define a Category III AIF as an AIF that employs diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. The Regulations also explain that AIFs such as hedge funds or funds which trade with a view to make short term returns or such other funds which are open ended and for which no specific incentives or concessions are given by the government or any other regulator shall be included in Category III AIF.

**(b) Key considerations associated with the Fund**

The Regulations prescribe that the raising of funds should be done strictly on a private placement basis through issuance of a placement memorandum/information memorandum (by whatever name called) by way of issue of beneficial interest and the minimum investment that can be accepted by a Category III AIF from an investor, whether Indian, foreign or non-residents Indian is INR 1,00,00,000 (Indian Rupees One Crore); provided that in case of investors who are employees or directors of a Category III AIF or employees or directors of the Investment Manager, the minimum value of investment will be INR 25,00,000 (Indian Rupees Twenty-Five Lakhs). However, with respect to beneficial interest of a Category III AIF issued to the employees of the investment manager of a Category III AIF for profit-sharing, such minimum investment amount is not applicable in cases where such beneficial interest do not entail any contribution/investment from the employees. Chapter 20 of SEBI Master Circular for AIFs has prescribed that a Category III AIF shall issue beneficial interest to its investors only in dematerialised form in the manner as prescribed under the said chapter of the SEBI Master Circular for AIFs. The following conditions shall apply to the schemes launched after October 31, 2023:

- i. The units issued after April 30, 2024, to investors who have provided their demat account details shall be credited to such investors' demat accounts.
- ii. The investors on-boarded prior to May 01, 2024, who have not provided their demat account details, units of such investors shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details.

For schemes with corpus more than Rs. 500 crore:

- i. The units issued after October 31, 2023 to investors who have provided their demat account details shall be credited to such investors demat account.
- ii. The investors on-boarded prior to November 01, 2023, who have not provided their demat account details, units of such investors shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details.

Investment managers of AIFs shall maintain investor wise KYC details of beneficial interest held in Aggregate Escrow Demat Account, including name, PAN and bank account details, along with audit trail of the transactions. The same shall also be reported to depositories and custodians on a monthly basis. Investment managers shall follow the standards to be prescribed under the circular for maintaining investor-wise records of transactions etc. The Investment Manager shall maintain records as specified under Regulation 27(1) of the Regulations and shall ensure that such records are preserved for a period of five years after the winding up of the fund, in accordance with Regulation 27(2) of the Regulations.

The terms of transfer of beneficial interest of Category III AIF held by an investor in dematerialised form shall continue to be governed by the terms of private placement memorandum, contribution agreements entered with the investors and any other Trust Documents. However, no transfer of beneficial interest of AIFs from or within Aggregate Escrow Demat Account is allowed except for the transfer of beneficial interest to the investor's demat account.

Further, the Regulations prescribe that placement memorandum should contain all material information about:

- the Category III AIF and its investment manager,
- background of key investment team of the investment manager,
- targeted investors,
- fees and all other expenses proposed to be charged,
- tenure of the Category III AIF or scheme,
- conditions or limits on redemption,
- investment strategy,
- risk management tools and parameters employed,
- key service providers,
- terms of reference of the committee constituted for approving the decisions of the Alternative Investment Fund, conflict of interest and procedures to identify and address them,
- disciplinary history and other terms and conditions on which the Manager offers investment services,
- its affiliations with other intermediaries,
- manner of winding up of the Alternative Investment Fund or the scheme
- and such other information as may be necessary for the investor to take an informed decision on whether to invest in the Alternative Investment Fund.

Furthermore, in respect of any subsequent scheme(s) launched, the placement memorandum/information memorandum of such scheme(s) should be filed with SEBI through a merchant banker at least 30 (Thirty) days prior to launch of such scheme(s) along with the specified fee. This Memorandum satisfies all the applicable requirements laid down under the Regulations. In case of an open-ended AIF, the first single lump-sum investment amount received from a Contributor shall not be less than the minimum investment amount, as specified under the Regulations. All AIFs are required to inform SEBI in case of any change in the sponsor, manager or designated partners or any other material change from the information provided by the AIF at the time of application for registration. In case of change in control of the AIF, sponsor or manager, prior approval from SEBI shall be taken by the AIF. The books of accounts of the AIF shall be audited annually by a qualified auditor.

**(c) General investment conditions**

- 1) AIFs may invest in securities of companies incorporated outside India subject to conditions/guidelines stipulated by RBI/SEBI from time to time;
- 2) The investment manager or sponsor cannot co-invest in an investee company on terms more favourable than those offered to the AIFs. Further, the terms of exit from the co-investment in an investee company including timing of exit shall be identical to the terms applicable to that of exit of AIF.
- 3) AIFs shall not invest in (a) Associates or (b) beneficial interest of an AIF managed or sponsored by its manager, sponsor or associates of its investment manager or sponsor except with the approval of 75% (seventy-five percent) of investors by value of their investment in the AIFs;
- 4) AIFs shall not buy or sell investments, except with the approval of 75% (seventy-five percent) of investors by value of their investment and subject to the conditions specified by SEBI, from or to:
  - a) Associates; or

- b) schemes of AIFs managed or sponsored by its investment manager, sponsor or associates of its investment manager or sponsor; or
  - c) an investor who has committed to invest at least 50% of the corpus of the scheme of the AIF; provided that while obtaining approval of the investors, such investor as specified in this clause (c) shall be excluded from the voting process;
- 5) Alternative Investment Funds which are authorised under the Trust Documents to invest in units of Alternative Investment Funds shall not offer their units for subscription to other Alternative Investment Funds.
- 6) AIFs may invest the un-invested portion of the investable funds and divestment proceeds pending distribution to investors in liquid mutual funds or bank deposits or other liquid assets of higher quality such as treasury bills, triparty repo dealing and settlement, commercial papers, certificates of deposits, etc. till deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the Trust Documents, as applicable; and
- 7) AIFs may act as nominated investor as specified in clause (b) of sub-regulation (1) of regulation 106N of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- 8) In accordance with SEBI Master Circular for AIFs, AIFs shall hold their investments in dematerialised form, subject to such conditions as may be specified by SEBI from time to time, within the timelines prescribed by SEBI. Provided that such requirement shall not apply to:
- i. investments by AIFs in such type of instruments which are not eligible for dematerialisation,
  - ii. investments held by a liquidation scheme of the Alternative Investment Funds that are not available in the dematerialised form, and
  - iii. such other investments by Alternative Investment Funds and such other schemes of Alternative Investment Funds as may be specified by the Board from time to time.

**(d) Key investment conditions applicable specifically to a Category III AIF**

The following are certain key conditions applicable to a Category III AIF:

• **Investment Conditions:**

1. A Category III AIF may invest in securities of listed or unlisted investee companies or derivatives or complex or structured products or in units of other AIFs as maybe disclosed in the Memorandum;
2. AIF authorised under the Trust Documents to invest in beneficial interest of AIFs shall not offer their beneficial interest for subscription to other AIFs;
3. Category III AIFs may deal in goods received in delivery against physical settlement of commodity derivatives. "Goods" means the goods notified by the Central Government under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956 and forming the underlying of any commodity derivative;
4. A Category III AIF may engage in leverage or borrowing subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by SEBI; provided that such funds shall disclose information regarding the overall level of leverage employed, the level of leverage arising from borrowing of cash, the level of leverage arising from position held in derivatives or in any complex product and the main source of leverage in their fund to the investors and to SEBI periodically, as may be specified by SEBI;
  - a. A Category III AIF may buy CDS (Credit Default Swap) for the purpose of hedging or otherwise, within permissible leverage.
  - b. A Category III AIF may sell CDS by earmarking unencumbered Government Bonds/Treasury Bills equal to the amount of the said CDS exposure.
5. A Category III AIF shall be regulated through issuance of directions regarding areas such as operational

standards, conduct of business rules, prudential requirements, restrictions on redemption and conflict of interest as may be specified by SEBI; and

6. A Category III AIF may invest in units of Category I AIFs or Category II AIFs; provided that they invest solely in such units and shall not invest in units of other fund of funds; An AIF shall not invest in units of another AIF unless it is fund of AIFs as specified under the Regulations.
7. Alternative Investment Funds which are authorised under the Trust Documents to invest in units of Alternative Investment Funds shall not offer their units for subscription to other Alternative Investment Funds.
8. The Sponsor or Manager of the Alternative Investment Fund shall appoint a Custodian registered with the Board for safekeeping of the securities of the Alternative Investment Fund, in the manner as may be specified by the Board from time to time:  
Provided that the Custodian appointed by the Sponsor or Manager of a Category III Alternative Investment Fund shall keep the custody of the securities and goods received in delivery against the physical settlement of commodity derivative:  
Provided further that the Custodian appointed by the Sponsor or Manager of an Alternative Investment Fund shall report or disclose such information regarding investments of the Alternative Investment Fund in such manner as may be specified by the Board from time to time.  
Provided that the Sponsor or Manager of a Category III Alternative Investment Fund shall appoint such a custodian, irrespective of the size of the corpus of the Alternative Investment Fund:  
Provided further that the custodian appointed by Category III Alternative Investment Fund shall keep the custody of the securities and goods received in delivery against the physical settlement of commodity derivatives.
9. A Custodian which is an associate of the Sponsor or Manager of an Alternative Investment Fund may act as a custodian for that Alternative Investment Fund only when all the following conditions are met:
  - (a) the Sponsor or Manager has a net worth of at least twenty thousand crore rupees at all points of time;
  - (b) fifty per cent or more of the directors of the Custodian do not represent the interest of the Sponsor or Manager or their associates;
  - (c) the Custodian and the Sponsor or Manager of the Alternative Investment Fund are not subsidiaries of each other;
  - (d) the custodian and the Sponsor or Manager of the Alternative Investment Fund do not have common directors; and
  - (e) the Custodian and the Manager of the Alternative Investment Fund sign an undertaking that they shall act independently of each other in their dealings of the schemes of the Alternative Investment Fund.
10. A Category III AIF shall invest not more than ten per cent of the investable funds in an Investee Company, directly or through investment in units of other AIFs and the large value funds for accredited investors of Category III AIF may invest up to twenty percent of the investable funds in an Investee Company, directly or through investment in units of other AIFs:

However, large value funds for accredited investors of Category III AIF may invest up to twenty per cent of the investable funds in an Investee Company, directly or through investment in units of other AIFs.

Provided that for investment in listed equity of an Investee Company, Category III AIFs may calculate the investment limit of ten per cent of either the investable funds or the net asset value of the scheme and large value funds for accredited investors of Category III AIFs may calculate the investment limit of twenty per cent of either the investable funds or the net asset value of the scheme, subject to the conditions specified by SEBI from time to time.

In this regard, the following is to be noted –

- (i) The limit for investment in listed equity shall be calculated based on the NAV of the fund on the

- (ii) business day immediately preceding the date on which the Category III AIF makes such investment.
- (ii) NAV of the AIF shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.
- (iii) Passive breach of concentration norm i.e., when the market value of the investment of Category III AIF in listed equity of an investee company exceeds the investment limit as prescribed under Regulation 15(1)(d) of the Regulations, shall be rectified within 30 days from the date of the breach.

• **Calculation of Leverage:**

SEBI *vide* paragraph 5.2 of SEBI Master Circular for AIFs, has prescribed certain prudential requirements in respect of leverage that may be undertaken by Category III AIFs, whether through investments in derivatives or by borrowing or by any other means, which are as follows:

- (a) For the purpose of arriving at leverage undertaken by an AIF, leverage shall be calculated as the ratio of the exposure to the Net Asset Value of the AIF.

- (b) Leverage shall be calculated as under:

$$\text{Leverage} = \frac{\text{Total exposure \{Longs + Shorts (after offsetting as permitted)\}}}{\text{Net Asset Value (NAV)}}$$

- (c) The leverage of a Category III AIF shall not exceed 2 times of the NAV of the AIF. i.e. if an AIF's NAV is INR100 crore, its exposure (Longs + Shorts) after offsetting positions as permitted shall not exceed INR.200 crore.

**Calculation of exposure and NAV**

- i. The total exposure of the AIF for the purpose of computing leverage shall generally be the sum of the market value of all the securities/ contracts held by the AIF. The total exposure at any point of time will be a sum of exposure through instruments in both the spot market and the derivative market.
- ii. Exposure shall generally be calculated as below:
  1. Futures (long and short) = Futures Price \* Lot Size \* Number of Contracts
  2. Options bought = Option Premium Paid \* Lot Size \* Number of Contracts
  3. Options sold = Market price of underlying \* Lot Size \* Number of Contracts
  4. In case of any other derivative exposure, the exposure is proposed to be calculated as the notional market value of the contract.
- iii. Idle cash and cash equivalents shall not be included in the calculation of total exposure. Long put positions shall be considered as short exposure and short put positions shall be considered as long exposure. Short selling of a stock through the Stock Lending and Borrowing Mechanism (SLBM) shall be treated as short exposure. Temporary borrowing arrangements which relate to and are fully covered by capital commitments from investors need not be included in calculation of leverage.
- iv. Offsetting of positions shall be allowed for calculation of leverage for transactions entered into for hedging and portfolio rebalancing as provided by SEBI under Master Circular for Mutual Funds dated March 20, 2026.
- v. Sum of all exposures without offsetting transactions for hedging and portfolio rebalancing shall be termed as 'gross exposure' and the ratio of such gross exposure and Net Asset Value (the "NAV") shall be termed as 'gross leverage'.
- vi. Net Asset Value of the AIF shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.

Each scheme of an AIF is required to comply with the above restrictions/limits.

**(e) Continuing commitment of the investment manager and/or the sponsor**

As stated in this Memorandum, there shall be a continuing interest in the Category III AIF of not less than five percent of the corpus or Indian Rupees ten crore, whichever is lower, in the form of investment in the Category III AIF and such interest shall not be through the waiver of management fees. Such interest may be maintained *pro-rata* to the amount of funds raised (net) from other investors in the AIF.

**(f) Tenure of the Fund and conditions for winding up**

A Category III AIF may be open ended or close ended. The tenure of the Fund shall be as specified in the Memorandum and shall commence from the first closing as mandated by SEBI vide paragraph 11.3 of the SEBI Master Circular. Further, the tenure of a close ended Category III AIF may be extended by up to 2 (two) years subject to approval of two-third of the unit holders by value of their investment in AIF. In the absence of consent or upon expiry of the extended tenure, the AIF or the scheme of AIF shall be wound up as per procedure provided below in point I, II, III and IV, respectively.

I. AIF set up as a trust, shall be wound up in the event of the following conditions:

- 1) when the tenure of the AIF or all schemes launched by the AIF, as mentioned in the private placement memorandum is over; or
- 2) if it is the opinion of the trustee, that the AIF be wound up in the interests of investors in the beneficial interests; or
- 3) if 75% (seventy-five percent) of the investors by value of their investment in the AIF pass a resolution at a meeting of beneficial interest holders that the AIF be wound up; or
- 4) if SEBI so directs in the interests of investors.

II. Where the AIF is set up as a limited liability partnership, only sub-clause (1), (3) and (4) of clause I above, will be applicable and such AIF shall be wound up in accordance with the provisions of the Limited Liability Partnership Act, 2008.

III. An AIF set up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.

IV. SEBI vide paragraph 2.3 of the SEBI Master Circular for AIFs, under the Regulations prescribing, *inter alia*, guidelines for declaration of first close of AIFs, calculation of tenure and change of sponsor/ manager or change in control of sponsor/ manager. Key points of the paragraph 2.3 of SEBI Master Circular for AIFs have been summarized hereunder:

1) *Timeline for declaration of First Close/Initial Offer Period of Schemes of AIFs:*

The first close of a scheme shall be declared not later than 12 months from the date of SEBI communication for taking the PPM of the scheme on record. For open ended schemes of Category III AIFs, the first close shall refer to the close of their 'initial offer period'.

The corpus of the scheme, at the time of declaring its first close, shall not be less than the minimum corpus prescribed under the Regulations for the respective category or sub-category of the AIF. The SEBI Master Circular for AIFs has also clarified that the commitment provided by sponsor or manager, to meet the

aforesaid minimum corpus requirement at the time of declaration of first close shall not be reduced or withdrawn or transferred after the first close.

2) *Calculation of tenure of schemes of AIFs in case of a close-ended scheme:*

The SEBI Master Circular for AIFs has clarified that in case of close ended schemes, the tenure shall be calculated from the date of close of the first closing. The AIFs have been permitted to modify the tenure of a scheme at any time before its first close. Further, it is pertinent to note that the investor may choose to withdraw or reduce commitment provided to such a scheme prior to declaration of the first close/initial offer period.

**(g) Flexibility to AIFs and their investors to deal with unliquidated investments of their schemes**

SEBI *vide* circular no. SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024 read with SEBI circular SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/100 dated July 9, 2024 has provided additional flexibility to AIFs and their investors to deal with unliquidated investments of their schemes.

Dissolution Period means the period which follows the expiry of the liquidation period of the fund for the purpose of liquidating the unliquidated investments of the fund ("**Dissolution Period**").

The aforesaid circular further provides for conditions for entering into Dissolution period:

- a. The scheme is not to accept any fresh commitment from any investor during the Dissolution Period;
- b. The scheme is to not make any new investment during the Dissolution Period
- c. No management fee is charged during the Dissolution Period;
- d. The tenure of the Dissolution Period is to not be more than the original tenure of the scheme and shall not be extended in any manner upon expiry of the Dissolution Period;
- e. The investment manager communicates the value of the unliquidated investments of the scheme to performance benchmarking agencies for appropriately capturing the track record of performance of the manager, where, the value of such unliquidated investments shall be:
  - i. Calculated based on the bid value if the investment manager successfully raises bids for a minimum of 25% of the value of unliquidated investments;
  - ii. INR 1, if otherwise.

It may be noted that an AIF may enter into a Dissolution Period even if the investment manager fails to arrange for any bids for its unliquidated investments

AIFs are not permitted to launch a new liquidation scheme after April 25, 2024. If the liquidation period for a scheme of an AIF has already expired or is expiring within three months from the date of notification of the Regulations (i.e., July 24, 2024), it will be granted an additional liquidation period until April 24, 2025, provided there are no investor complaints pending regarding non-receipt of funds or securities. Further, the aforesaid circular clarifies that no further extension or liquidation period shall be available to any AIF/scheme of an AIF after the expiry of Dissolution Period.

**(h) Reporting obligations**

1) General reporting obligations

Category III AIFs shall ensure transparency and shall make the following disclosures to investors:

- a. financial, risk management, operational, portfolio, and transactional information regarding fund investments shall be disclosed periodically to the investors;
- b. any fees ascribed to the manager or sponsor; and any fees charged to the AIF or any investee company by an associate of the manager or sponsor shall be disclosed periodically to the investors;
- c. any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred;
- d. any material liability arising during the AIF's tenure shall be disclosed, as and when occurred;
- e. any breach of a provision of the placement memorandum or agreement made with the investor or any other Trust Documents, if any, as and when occurred;
- f. change in control of the sponsor or manager or investee company.
- g. any significant change in the key investment team shall be intimated to all investors;
- h. AIFs shall provide, when required by SEBI, information for systemic risk purposes (including the identification, analysis and mitigation of systemic risks).
- i. AIFs shall report details of CDS transaction to the custodian by the next working day.

2) Periodic reporting obligations

Category III AIFs shall provide quarterly reports to investors containing the following information, within 60 (sixty) days of end of the quarter:

- i. financial information of investee companies.
- ii. material risks and how they are managed which may include:
  - a. concentration risk at fund level;
  - b. foreign exchange risk at fund level;
  - c. leverage risk at fund and investee company levels;
  - d. realization risk (i.e. change in exit environment) at fund and investee company levels;
  - e. strategy risk (i.e. change in or divergence from business strategy) at investee company level;
  - f. reputation risk at investee company level;
  - g. extra-financial risks, including environmental, social and corporate governance risks, at fund and investee company level.

Pursuant to SEBI Circular HO/19/28/(1)2026-AFD-SEC3//6176/2026 dated March 04, 2026, AIFs are now required to submit a comprehensive annual activity report at the end of each financial year. The report is required to be filed online through the SEBI Intermediary Portal ("SI Portal") within 30 (thirty) calendar days from the end of March of the relevant financial year. The first such annual activity report will be required to be submitted for the financial year ending March 2026 and must be filed on or before May 31, 2026.

A limited Quarterly Activity Report shall be submitted by all AIFs online on the SI Portal in a revised format within 15 calendar days from the end of each such quarter. The first such report shall be submitted for the quarter ending June 2026.

3) Other disclosure obligations

- a. The manager and sponsor of the AIF shall disclose their investment in the AIF to its Investors; and
- b. The manager and sponsor of the AIF shall act in a fiduciary capacity towards its Investors and shall

- disclose to the Investors, all conflicts of interests as and when they arise or seem likely to arise.
- c. The manager shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business.
  - d. The manager and sponsor of Alternative Investment Fund shall abide by high level principles on avoidance of conflicts of interest with associated persons, as may be specified by SEBI from time to time.
  - e. The manager shall designate an employee or director as Compliance Officer who shall be a person other than CEO of the Investment Manager (or such equivalent role or position depending on the legal structure of manager). The Compliance Officer shall be responsible for monitoring compliance with the provisions of the SEBI Act, Regulations and circulars issued thereunder.
  - f. The manager shall comply with requirement of compliance test report as specified in paragraph 15.2 of the SEBI Master Circular for AIFs.
  - g. The manager shall also be obligated to address all investor complaints, provide to the Board any information sought by Board, maintain all records as may be specified by the Board; take all steps to address conflict of interest as specified in these regulations and ensure transparency and disclosure as specified in the regulations.
  - h. Any deviation in the valuation at each asset level, in case there is a deviation of more than 20% (twenty percent) between two consecutive valuations or a deviation of more than 33% (thirty three percent) in a Financial Year.
  - i. Any breach in leverage limit shall be reported to all investors of AIF before 10 am on the next working day stating that there is a breach in the limit along with reasons for the same.

**(i) Alteration in strategy of the Fund**

An AIF shall obtain the consent of at least two-third of its beneficial interest holders by value of their investment in the AIF prior to any material alternation in its investment strategy.

**(j) Alteration in category of the Fund**

AIF may change its category subsequent to receipt of the registration from SEBI, with prior approval of SEBI *vide* paragraph 3.2 of the SEBI Master Circular for AIFs, an AIF that has not made any investment under the category in which it was registered with SEBI earlier is allowed to make an application to SEBI for change in category. The trust is required to make an application in Form A to SEBI along with application fees of Rs. 1,00,000 (Indian Rupees One Lakh) stating rationale for the change proposed in AIF category. Registration fees shall not apply for such application. If the AIF has raised commitments/funds prior to application for change in category, the AIF shall be required to send letters/emails to all its investors providing them the option to withdraw their commitments/ funds raised without any penalties/charges. Any fees collected from investors seeking to withdraw commitments/ funds shall be returned to them. Partial withdrawal may be allowed subject to compliance with the minimum investment amount required under the Regulations. The AIF shall not make any investments other than in liquid funds/ banks deposits until approval for change in category is granted by SEBI. On approval of the request from SEBI, the AIF shall send a copy of the revised placement memorandum and other relevant information to all its investors.

**(k) Valuation**

AIFs should carry out valuation of its investments in the manner specified by the SEBI from time to time and provide to its investors, a description of its valuation procedure and methodology for valuing assets. Category III AIFs shall ensure that calculation of the net asset value (NAV) is independent from the fund management function of the AIF and such NAV shall be disclosed to the investors at intervals not longer than a quarter for close ended funds and at intervals not longer than a month for open ended funds. Provided that for the purpose of calculation of NAV, Category III AIF shall undertake valuation of their investment in unlisted securities and listed debt securities by an independent valuer.

As per paragraph 3.1 of SEBI circular no. HO/19/34/11(8)2025-AFD-POD1//4335/2026 dated February 6, 2026 AIFs, through their RTAs, shall upload the latest available NAV corresponding to each ISIN of units of the AIF in the depository system before May 01, 2026, or within 30days from the date of valuation of the investment portfolio, whichever is later. For the purpose of aforesaid mandate, the valuation date shall be the date of the valuation report in case the valuation is carried out by independent valuers. In case the valuation is carried out by an internal valuer, the valuation date shall be the date on which the valuation is documented in the internal records of the fund.

SEBI vide its Chapter 22 of the SEBI Master Circular for AIFs, as amended by SEBI Circular SEBI/HO/AFD/PoD-1/P/CIR/2024/123 dated September 19, 2024 titled “Modification in framework for valuation of investment portfolio of AIFs”, has stipulated certain standardized norms for valuation of investment portfolio of a Category III AIF, as detailed hereinbelow:

- a) Valuation of securities, other than unlisted securities and listed securities which are non-traded and thinly traded, for which valuation norms have been prescribed under SEBI (Mutual Funds) Regulations, 2026 shall be carried out as per the norms prescribed under the same.
- b) Valuation of securities which are not covered in para (a) above, shall be carried out as per valuation guidelines endorsed by any AIF industry association, which in terms of membership represents at least 33% of the number of SEBI registered AIFs.
- c) The investment manager shall also disclose in private placement memorandum, the details of the valuation methodology and approach adopted under the stipulated guidelines for each asset class of the scheme of the AIFs.
- d) The investment manager shall ensure that the AIF appoints an independent valuer who satisfies the following criteria as specified by the SEBI:
  - (i) The independent valuer shall not be an associate of investment manager or sponsor or trustee of the AIF.
  - (ii) The independent valuer shall have at least three years of experience in valuation of unlisted securities.
  - (iii) The independent valuer is a valuer registered with Insolvency and Bankruptcy Board of India and has membership of Institute of Chartered Accountants of India or Institute of Company Secretaries of India or Institute of Cost Accountants of India or CFA Institute; or
  - (iv) The independent valuer is a holding company or subsidiary of a Credit Rating Agency registered with SEBI; or
  - (v) Such entity or company shall be a 'Registered Valuer Entity' registered with Insolvency and Bankruptcy Board of India
  - (vi) The deputed/authorized person(s) of such 'Registered Valuer Entity', who undertake(s) the valuation of investment portfolio of AIFs, shall have a membership of Institute of Chartered Accountants of India or Institute of Company Secretaries of India or Institute of Cost Accountants of India or a Chartered Financial Analyst Charter from the Chartered Financial Analyst Institute.
  - (vii) Any other criteria as may be specified by SEBI from time to time.
- e) The investment manager and the key management personnel of the investment manager shall ensure that the independent valuer computes and carries out valuation of the investments of the scheme of the AIFs in the manner specified by SEBI from time to time.
- f) The investment manager shall be responsible for true and fair valuation of the investments of the scheme of the AIFs. In case the established policies and procedures of valuation do not result in fair and appropriate valuation, the investment manager shall deviate from the established policies and procedures in order to value the assets or securities at a fair value and document the rationale for such deviation. Such deviation and its rationale shall be reported to the trustee of the AIF and investors of the AIFs.
- g) At each asset level, in case there is a deviation of more than 20% between two consecutive valuations or a deviation of more than 33% in a financial year, the investment manager shall inform the investors the reasons/factors for the same, both generic and specific, including but not limited to changes in accounting

- practices/policies, assumptions/projections, valuation methodology and approach, etc. and reasons thereof.
- h) Change in valuation methodology/ approach to comply with clause 22.1 of the SEBI Master Circular on 'Standardised approach to valuation of investment portfolio of AIFs' shall not be construed as a material change.
  - i) Change in methodology/approach within the valuation guidelines / valuation norms prescribed for AIFs, shall ensue not be construed as a 'material change'. However, upon such change, the valuation of the investment carried out based on valuation methodologies / approaches, both old and new, shall be disclosed to the investors to ensure transparency.
  - j) In order to ensure timely and appropriate reporting of valuation of investment portfolio to performance benchmarking agencies:
    - (i) Investment manager of AIF shall ensure that a specific timeframe for providing audited accounts by the investee company to the AIF is included as one of the terms in subscription agreement / investment agreement with the investee company, so as to enable AIFs to report valuation based on audited data of investee companies as on March 31 to performance benchmarking agencies within the specified timeline of seven months i.e. by October 31 of each year.
    - (ii) Investment manager of AIF shall ensure that valuation based on audited data of investee company is reported to performance benchmarking agencies only after the audit of books of accounts of the AIF in terms of regulation 20(14) of Regulations, within the stipulated timelines.

**(I) Material changes to the placement memorandum**

In cases of material changes (i.e. changes in the fundamental attributes of the AIF) significantly influencing the decision of the investor to continue to be invested in the AIF, an exit process as prescribed under paragraph 2.5.4. of SEBI Master Circular for AIFs, is required to be complied with. Such changes shall include, but not be limited to the following:

- a. Change in sponsor/investment manager (*not including an internal restructuring within the group*)
- b. Change in control of sponsor/investment manager
- c. Change in fee structure or hurdle rate which may result in higher fees being charged to the beneficial interest holders.

If required under Applicable Law, prior approval of the Board shall be taken by the Alternative Investment Fund for such material changes, subject to levy of fees and any other conditions as may be specified by the Board from time to time.

SEBI vide its circular dated April 29, 2024, stipulated that the changes in the terms of PPM, may not be required to be submitted through a merchant banker and may be filed directly with SEBI. Further, as per paragraph 12.12 of SEBI Master Circular, Large Value Fund for Accredited Investors ("LVF") are exempted from the requirement of intimating any changes in the terms of the PPM through a merchant banker. LVFs may directly file any changes in the terms of PPM with SEBI, along with a duly signed and stamped undertaking by CEO of the investment manager of the AIF (or person holding equivalent role or position depending on the legal structure of the investment manager) and compliance officer of investment manager of the AIF, in the format as specified by SEBI.

As per paragraph no. 2.5.5. of SEBI Master Circular for AIFs, if at least 75% (seventy-five percent) of the investors by value of their investments in the AIF approve changes mentioned in sub-clause (a) and (b) above, the exit process as prescribed under the above stated Master Circular is not required to be complied with.

In terms of the above SEBI Master Circular for AIFs, the following process is required to be followed by the AIF:

In case the scheme of the AIF is open-ended, the exit option may be provided as under:

- 1. Buying out of beneficial interests of the dissenting investors by the investment manager/any other person as may be arranged by the investment manager, valuation of which shall be based on market price of underlying

- assets.
2. Redemption of beneficial interests of the investors through sale of underlying assets.

OR

In case the scheme of the AIF is close-ended, the exit option may be provided as under:

- VII. The exit option shall be provided by buying out of units of the dissenting investors by the investment manager/any other person as may be arranged by the investment manager.
- VIII. Prior to buying out of such units, valuation of the units shall be undertaken by 2 (two) independent valuers and the exit shall be at value not less than average of the two (two) valuations.

The responsibility to provide exit to the dissenting investors shall be on the investment manager. The expenses for the entire process shall be borne by the investment manager/sponsor/proposed new manager or sponsor and shall not be charged to the unit holders. The entire process of exit to dissenting investors shall be completed within 3 months from the date of expiry of last date of the offer for dissent. The trustee of AIF (in case AIF is a trust)/ sponsor (in case of any other AIF) shall be responsible for overseeing the process, ensuring compliance and regularly updating SEBI on the developments.

**(m) Overseas investments by an AIF**

Under Regulation 15(1)(a) of the Regulations, an alternative investment fund may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the RBI and SEBI from time to time.

In this regard, RBI *vide* its A.P. (DIR Series) Circular No.48 dated December 09, 2014 has permitted AIFs, registered with SEBI, to invest overseas in terms of the provisions issued under the A.P. (DIR Series) Circulars No. 49 and 50 dated April 30, 2007 and May 04, 2007 respectively as may be amended from time to time.

SEBI *vide* Chapter 7 (Guidelines for overseas investments by AIFs and related reporting) of the SEBI Master Circular for AIFs has issued the following guidelines on overseas investments by an AIF:

- a. AIFs may invest in equity and equity linked instruments only of offshore venture capital undertakings, subject to overall limit of USD 1,500 million (combined limit for AIFs and Venture Capital Funds registered under the SEBI (Venture Capital Funds) Regulations, 1996).
- b. For the purpose of such investment, it is clarified that "Offshore Venture Capital Undertakings" means a foreign company whose shares are not listed on any of the recognized stock exchange in India or abroad.
- c. AIFs desirous of making investments in offshore venture capital undertakings shall submit their proposal for investment to SEBI for prior approval. It is clarified that no separate permission from RBI is necessary in this regard. AIFs shall file an application for allocation of overseas investment limit in the prescribed format.
- d. AIFs shall invest in an overseas company, which is incorporated in a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to the bilateral Memorandum of Understanding with SEBI.
- e. AIFs shall not invest in an overseas investee company, which is incorporated in a country identified in the public statement of Financial Action Task Force ("FATF") as:
- (i) A jurisdiction having strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or

- (ii) A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.
- f. Such investments shall not exceed 25% (twenty-five percent) of the investable funds of the scheme of the AIF.
- g. Every transaction relating to the purchase and sale of foreign security by an AIF shall be routed through the designated AD bank in India.
- h. The allocation of investment limits would be done on—'first come - first serve' basis, depending on the availability in the overall limit of USD 1,500 million.
- i. In case an AIF that is allocated certain investment limit, wishes to apply for allocation of further investment limit, the fresh application shall be dealt with on the basis of the date of its receipt and no preference shall be granted to it in fresh allocation of investment limit.
- j. As per paragraph 7.3 of the SEBI Master Circular for AIFs read with SEBI circular no. SEBI/HO/AFD/PoD/CIR/P/2023/137 dated August 04, 2023, the AIF shall have a time limit of 4 (four) months from the date of approval from SEBI for making allocated investments in offshore venture capital undertakings. In case the applicant does not utilize the limits allocated within the stipulated period, SEBI may allocate such unutilized limit to other applicants.
- k. AIF shall report the utilization of the allocated investment limits within 5 (five) working days of such utilization on SEBI intermediary portal. In an event, the AIF has not utilized the allocated investment limits granted by SEBI within 4 (four) months from the date of SEBI approval ("**Validity Period**"), the same shall be reported within 2 (two) working days after expiry of the Validity Period. In the event, AIF has not utilized a part of allocated investment limit within the Validity Period, the same shall be reported within 2 (two) working days after the expiry of the Validity Period. In case an AIF wishes to surrender the overseas limit at any point of time within the Validity Period, the same shall be reported within 2 (two) working days from the date of decision to surrender the limit.
- l. These investments would be subject to Foreign Exchange Management (Overseas Investment) Regulations, 2022, along with Foreign Exchange Management (Overseas Investment) Rules, 2022, including amendments thereof and related directions issued by RBI from time to time.
- m. Such investment or transfer by AIF, under the Overseas Investment Rules, is to be treated as OPI and thus, the AIF shall be obligated to report the same within sixty (60) days from the end of the half-year in which such investment or transfer is made as of September or March end.
- n. If an AIF liquidates investment made in an overseas investee company previously, the sale proceeds received from such liquidation, to the extent of investment made in the said overseas investee company, shall be available to all AIF for reinvestment.
- o. AIFs shall transfer/ sell the investment in overseas investee company only to the entities eligible to make overseas investments, as per the extant guidelines under the Foreign Exchange Management Act, 1999.
- p. AIFs shall furnish the sale/ divestment details of the overseas investments to SEBI, in the prescribed format, within 3 (three) working days of the divestment for updating the overall limit available for overseas investment by AIFs.
- q. AIFs shall not invest in joint venture/wholly owned subsidiary while making overseas investments.
- r. AIFs shall adhere to FEMA Regulations and other guidelines specified by RBI from time to time with respect to any structure which involves Foreign Direct Investment (FDI) under Overseas Direct Investment (ODI) route.
- s. AIFs shall comply with all requirements under RBI guidelines on opening of branches/subsidiaries/joint venture/undertaking investment abroad by NBFCs, where more than 50% of the funds of the AIF has been contributed by a single NBFC.

**(n) Pro rata and pari-passu rights of investors**

By way of the SEBI (Alternative Investments Funds) (Fifth Amendment) Regulations, 2024 ("**Fifth Amendment Regulations**"), dated November 18, 2024, SEBI has inserted two new sub-regulations (i.e. Regulation 20(21) and Regulation 20(22)) to Regulation 20 of the Regulations. The salient features of the Fifth Amendment Regulations are captured below:

- i. **Obligation to ensure pro rata rights of investors:** Regulation 20(21) states that the investors of a scheme of an AIF shall have rights, pro-rata to their commitment to the scheme, in each investment of the scheme and in the distribution of proceeds of such investment, except as may be specified by SEBI from time to time.

In this regard, it is specified that the requirement of maintaining investors' rights pro-rata to their commitment to the scheme, shall not be applicable in an investment of a scheme and distribution of proceeds of the investment to the extent: -

- a. an investor has been excused or excluded from participating in the said investment; or,
- b. an investor has defaulted on providing his/her pro-rata contribution for the said investment.

Further, the requirement of maintaining pro-rata rights of investors in distribution of proceeds of investments of a scheme, shall not be applicable to the extent returns or profit on the investments is shared by an investor with the manager or sponsor of the AIF (by whatever name it is called, such as carried interest/additional return), in terms of contribution agreement executed between them.

In case, the rights of investors of a scheme of an AIF issued before the notification of the Fifth Amendment Regulations, are not pro-rata to their commitment to the scheme, and are not exempted by SEBI, such rights shall be dealt with in the manner specified by SEBI.

- ii. **Obligation to ensure pari-passu rights of investors:** Regulation 20(22) states that the rights of investors of a scheme of an AIF (except a Large Value Fund for Accredited Investors), other than that specified in Regulation 20(21), shall be pari – passu in all aspects. However, a scheme of an AIF is permitted to offer differential rights to select investors, in the manner specified by SEBI, and without affecting the interests of other investors in the scheme.

In case an AIF has already issued any differential rights to investors before the notification of the Fifth Amendment Regulations, and such rights are affecting the interests of other investors, such rights shall be dealt with in the manner as specified by SEBI.

Pursuant to the SEBI circular dated December 13, 2024 (SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175), the Standard Setting Forum for AIFs (“SFA”) has issued the implementation standards for offering of differential rights to select investors of an AIF. These implementation standards prescribe the list of specific differential rights that may be offered by AIFs to select investors. AIFs may offer differential rights in respect of the following:

- Fund expenses
- Management fees
- Hurdle rate of return
- Carried interest
- Co-investment rights
- Reporting and information rights
- Representation on committees constituted by the AIF/scheme
- Most favoured nation
- Confidentiality of investors' details/information
- Representation and warranties

As per the circular, the following shall not be considered as a differential right:

- Information provided to select investors which is in the nature of elaborating on terms/disclosures in the PPM or contribution agreement/Tund Documents, in line with the Regulations and circulars issued thereunder.
- Right in the nature of providing specific treatment to select investors, in order for the investors to comply with laws or regulations applicable to them.

The list may be reviewed and updated by SFA, in consultation with SEBI, whenever necessary. Accordingly, any differential right not covered in the list, which meets the conditions specified in the SEBI circular dated December 13, 2024, may be shared with the SFA) or the respective industry associations for AIFs for updation, after due consultation with SEBI.

**(o) Code of Conduct**

- a. AIF, key management personnel of the AIF, trustee, trustee company, directors of the trustee company, designated partners or directors of the AIF, as the case may be, investment managers and key management personnel of investment managers shall abide by the Code of Conduct as specified in the Fourth Schedule of the Regulations.
- b. The investment manager and either the trustee or trustee company or the board of directors or the designated partners of the AIF, as the case may be, shall ensure compliance by the AIF with the Code of Conduct as specified in the Fourth Schedule of the Regulations.
- c. All AIFs shall have detailed policies and procedures, as approved jointly by the Manager and the trustee or trustee company or Board of Directors or designated partners of the AIF, as the case may be, to ensure that all the decisions of the AIF are in compliance with the provisions of the Regulations, terms of the placement memorandum, agreements made with investors, other Tund Documents and applicable laws.
- d. All AIFs shall review the policies and procedures laid down in terms of the Regulations, other internal policies, if any, and their implementation, on a regular basis or as a result of business developments, to ensure their continued appropriateness.
- e. The investment manager shall be responsible for every decision of the AIF, including ensuring that the decisions are in compliance with the provisions of the Regulations, terms of the Trust Documents and Applicable laws.
- f. The investment manager shall be responsible for ensuring that every decision of the AIF is in compliance with the policies and procedures laid down for the AIF and other internal policies of the AIF, as applicable.
- g. Further, to abide by the code of conduct, the AIF, investment manager, trustee and sponsor shall:
  - a. act in the interest of unitholders of the AIF/scheme and not take any action which is prejudicial to the interest of the unitholders and not place the interest of the sponsor/manager/trustee of the AIF or any of their associates above the interest of the unitholders of the scheme/AIF.
  - b. maintain high standards of integrity and fairness in all their dealings and in the conduct of the business and render at all times high standards of service, exercise due diligence and exercise independent professional judgment.
  - c. not offer any assured returns to any prospective investors/unitholders

**(p) Accredited Investor Framework**

Definition. Regulation 2(ab) of Regulations defines Accredited Investor. As per the definition “Accredited Investor” means any person who is granted a certificate of accreditation by an accreditation agency upon qualifying the following criteria for accreditation:

| Category of persons seeking recognition as ‘Accredited Investor’ | Criteria  |
|--|---|
| 1) Individuals, HUFs, Family Trusts and Sole Proprietorships     | <ul style="list-style-type: none"> <li>• Annual Income <math>\geq</math> INR 2 Crores; OR</li> <li>• Net Worth <math>\geq</math> INR 7.5 Crores, out of which at least INR 3.75 Crores is in the form of financial assets; OR</li> <li>• Annual Income <math>\geq</math> INR 1 Crore+ Net Worth <math>\geq</math> INR 5 Crores, out of which at least INR 2.5 Crores is in the form of financial assets.</li> </ul> |
| 2) Partnership Firms   | Each partner has to independently meet the criteria for accreditation as set out above.   |
| 3) Trusts (other than family trusts)                             | Net worth exceeding or equal to INR 50 Crores.  |
| 4) Body Corporates   | Net worth exceeding or equal to INR 50 Crores.  |

It is to be noted 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, Category I FPI investors, Sovereign Wealth Funds, and other multilateral agencies are deemed to be accredited investors and are not required to obtain certification from accredited agencies.

a) Provisions of minimum investment of Rs.1 Crore is not applicable to Accredited Investors. Procedure for Accreditation and availing benefits linked to accreditation. SEBI vide circular no. SEBI/HO//AFD/PoD1/CIR/189 read with Chapter 12 of SEBI Master Circular for AIFs notified modalities for implementation of the framework for Accredited Investors. Please find below key provisions with respect to the accreditation process as set out under the SEBI circular.

- SEBI has specified eligibility criteria for Accredited Agency for carrying out the accreditation process.
- For accreditation, the prospective Accredited Investor (“**Applicant**”) is required to make an application to the Accreditation Agency in the manner specified by the Accreditation Agency.
- For the purpose of accreditation, eligibility criteria shall be reckoned based on the documents as specified in Annexure B of the SEBI Master Circular for AIFs.
- In case of accreditation of individual investors, HUFs and Sole Proprietorships, the value of the primary residence of the individual, Karta of HUF and the Sole Proprietor respectively, shall not be considered for calculation of net worth.
- The Accreditation Agency shall grant accreditation solely based on the KYC and the financial information of the applicants.
- Upon clearing the stage of verification mentioned above, the Accreditation Agency shall issue a certificate of accreditation (“**Accreditation Certificate**”) having a unique accreditation number, name of accreditation agency, PAN of the Applicant and validity of the accreditation certificate.

**(q) Modalities for filing of placement memorandum through a Merchant Banker**

SEBI vide paragraph 2.2 of the SEBI Master Circular for AIFs, issued the modalities for AIFs with respect to filing of placement memorandum, including that merchant bankers have to independently exercise due diligence regarding the disclosures and provide a due diligence certificate. Under SEBI norms, AIFs can launch schemes subject to filing of placement memorandum with the regulator through a registered merchant banker. The framework has come into effect from November 11, 2021.

While filing draft placement memorandum at the time of registration or prior to launch of new scheme on the SEBI intermediary portal, the due diligence certificate provided by the merchant banker will also be submitted along with other necessary documents. The details of the merchant banker will have to be disclosed in the placement memorandum.

The merchant banker appointed for filing of placement memorandum will not be an associate of the AIF, its sponsor, manager or trustee. AIFs are required to intimate the regulator regarding any changes in terms of placement memorandum on a consolidated basis, within one month of the end of each financial year. Such an intimation will also be submitted through a merchant banker along with the due diligence certificate provided by such merchant banker.

**(r) Investor Charter and Investor Grievance Redressal Mechanism**

With an aim to simplify the private placement memorandum, SEBI has prescribed incorporation of an additional section in the offering document titled “**Investor Charter**” for new schemes. The Investor Charter has been envisaged as a brief document capturing certain details that may be particularly relevant to the investor, e.g., details of grievance redressal mechanism, responsibilities of the investors, etc. The Investor Charter is required to be written in lucid language in the format prescribed by SEBI to facilitate readability of the private placement memorandum as a whole. In case of existing schemes, Investor Charter has to be e-mailed to investors as a separate document as a one-time measure. Additionally, data on investor complaints received against AIFs and each of their schemes and redressal status thereof shall be disclosed by all AIFs and each of their schemes and the redressal status thereof shall be disclosed by all AIFs as per the format prescribed by SEBI. Both of these measures have been introduced with an aim to provide the highest standards investor awareness and investor protection and bring to about greater transparency.

Investors can also approach SEBI for redressal of their complaints through SEBI SCORES platform. On receipt of complaints, SEBI takes up the matter with the concerned AIF.

Further, as per paragraph 8 of the SEBI’s master circular no. SEBI/HO/OIAE\_IAD-3/P/CIR/2023/195 titled ‘Master Circular for Online Dispute Resolution’ dated July 31, 2023 (including any amendment or clarificatory circulars that may be issued by SEBI from time to time) time as updated on December 20, 2023, AIFs are obligated to enroll in the ODR Portal upon receipt of registration and are thereafter directed to display a link to the ODR Portal on the home page of their websites and mobile apps.

**(s) Compliance Officer**

- The investment managers of all AIFs are required to designate an employee or director as ‘Compliance Officer’ other than the CEO (or person holding such equivalent role or position).
- The Compliance Officer shall be responsible to monitor compliance with the provisions of the SEBI Act, Regulations and circulars issued thereunder and report any non-compliance within 7 (seven) working days from the date of observing such non-compliance. The Compliance Officer shall satisfy the eligibility criteria as may be specified by SEBI from time to time.

- The Compliance Officer of Manager of an AIF shall obtain certification from the National Institute of Securities Market by passing the NISM Series – III - C: Securities Intermediaries Compliance (Fund) Certification Examination as mentioned in the communique No. NISM/Certification/Series – III - C: Securities Intermediaries Compliance (Fund) Certification Examination /2025/01/November 20, 2025 issued by the National Institute of Securities Market. Managers of AIFs shall ensure that, with effect from January 1, 2027, only those persons who have obtained the aforesaid certification shall be appointed as or shall continue to act as compliance officer of managers of AIFs.

**(t) Stamp Duty payable under the Indian Stamp Act, 1899**

The Finance Act, 2019, had introduced amendments in the Indian Stamp Act, 1899 (“the Act”) to, inter alia, bring uniformity in the levy of stamp duty on ‘securities’, whether in physical or dematerialized form. Part I of Chapter IV of the Finance Act 2019 related to amendments to the Act.

The Ministry of Finance (“MoF”) pursuant to notification no. S.O. 4419I dated December 10, 2019, had initially appointed January 9, 2020, as the date on which the amendments to the Act shall come into force. Vide notification no. S.O. 115(E) dated January 8, 2020, the MoF appointed April 1, 2020, as the day amendments to the Act shall come into force. Further, vide notification no. S.O. 1226(E) dated March 30, 2020, the MoF appointed July 1, 2020, as the day amendments to the Act shall come into force.

Vide notification G.S.R. 901(E) dated December 10, 2019, the MoF had notified the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 (“the Rules”) to *inter alia* regulate the utilised mechanism for the collection of stamp duty across India. The Rules were initially to come into force from January 9, 2020. Pursuant to notification no. G.S.R. 19(E) dated January 8, 2020, the MoF appointed April 1, 2020, as the day the Rules shall come into force. Further, vide notification no. G.S.R. 226(E) dated March 30, 2020, the MoF appointed July 1, 2020, as the day the Rules shall come into force.

SEBI has, *vide* paragraph 18 of the SEBI Master Circular for AIFs, directed all AIFs to comply with the applicable provisions of the Indian Stamp Act, 1899 and the Rules and *inter alia* has directed all AIFs to appoint registrars to an issue and/or share transfer agents (“RTA”) registered with SEBI. The RTA shall be deemed as a ‘depository’ for the limited purposes of acting as a ‘collecting agent’ under the Act and the rules made thereunder, in cases of instruments of transactions otherwise than through a recognised stock exchange or depository.

Further, on July 1, 2020, SEBI has issued “Frequently Asked Questions (FAQs) on Indian Stamp Act, 1899 Amendments and Rules made thereunder”. As per answer to Question 18 in the FAQs, the RTA shall be responsible to transfer the collected stamp duty to the respective States/Union Territories in India based on the buyer-based principle i.e. on the basis of place of residence/registered office of the Contributor, in accordance with Section 9A(4) of the Act.

As per answer to Question 19 in the FAQs, in case of sale, transfer and issue of Units in demat mode through a recognised ‘stock exchange’ as defined under Securities Contracts (Regulation) Act, 1956 or ‘depository’ as defined under Depositories Act, 1996, the stock exchange/clearing corporation or depository would be required to collect the applicable stamp duty.

Thus, with effect from July 1, 2020, a stamp duty at the rate of 0.005% of the market value of Units would be levied on issue of Units and a stamp duty at the rate of 0.015% of the consideration amount would be levied on any transfer of Units. No stamp duty is payable in respect of redemption of Units.

In case of issue of Units, the onus to pay stamp duty is upon the Fund (being the issuer of Units).

In the case of transfer of Units, the onus to pay stamp duty is upon the transferor of Units. As per answer to Question 20 in the FAQs, when the transferee approaches RTA for effecting the transfer in its books, the RTA will collect the stamp duty from the transferor of Units before effecting the transfer which will then be remitted by the RTA to the State/Union Territory of domicile of the transferee.

**(u) Stewardship Code**

SEBI *vide* paragraph 13.4 of SEBI Master Circular for AIFs has notified the 'Stewardship Code', applicable to 'institutional investors', i.e., all mutual funds, asset management companies, trustee companies, boards of trustees of mutual funds and all AIFs in relation to their investment in listed equities.

The Stewardship Code has identified certain principles that the institutional investors need to follow with effect from July 01, 2020. The principles on the same are given below:

- a. **Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically:** Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Every institutional investor should formulate a comprehensive policy on how it intends to fulfil the aforesaid stewardship responsibilities and disclose it publicly. The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the entities website.
- b. **Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it:** Institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other. The conflict of interest policy formulated shall, among other aspects, address the manner in which such conflicts might arise, procedures put in place in case such conflict of interest situations arise (such as blanket bans on investments, constituting an investment committee etc.), periodic review, update and public disclosure of such policy.
- c. **Principle 3: Institutional investors should monitor their investee companies:** Institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important which shall include performance of the companies, corporate governance, strategy, risks etc. Accordingly, the institutional investors shall formulate a policy specifying, inter-alia, different levels of monitoring in different investee companies, areas of monitoring (such as company strategy, industry level monitoring, quality of company management etc.), situations that might trigger communication of insider information and procedures adopted to ensure insider trading regulations are complied with in such cases.
- d. **Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed:** Institutional investors should have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention. The policy should also involve regular assessment of the outcomes of such intervention. Intervention should be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand. Circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc. The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the

boards, collaboration with other investors, voting against decisions, etc.

- e. **Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity:** Institutional investors must take voting decisions in the investee company after an in-depth analysis. A comprehensive voting policy is required to be framed by the institutional investors including details of mechanisms of voting, circumstances in which voting should be for/against/abstained, disclosure of voting, etc. The voting policy should be publicly disclosed.
- f. **Principle 6: Institutional investors should report periodically on their stewardship activities:** Institutional investors shall report to their clients/ beneficiaries periodically on how they have fulfilled their stewardship responsibilities as per their policy in an easy-to-understand format. Institutional investors shall report periodically on their stewardship activities by placing a report on their website on implementation of every principle.

**(v) Certification requirement for key investment team of manager of AIF**

SEBI vide circular SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/42 dated 13 May, 2024 has prescribed that under terms of Regulation 4(g)(i) of SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), the key investment team of the Manager of an Alternative Investment Fund (AIF) shall have at least one key personnel with relevant certification as may be specified by SEBI from time to time, as an eligibility criterion for obtaining certification of registration as an AIF.

Further, as per the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 (amended on June 25, 2025):

- a. at least one key personnel, amongst the associated persons functioning in the key investment team of the Investment Manager of Category I Alternative Investment Fund or Category II Alternative Investment Fund or Category I and II Alternative Investment Fund, shall obtain certification from the National Institute of Securities Market by passing either the NISM Series-XIX-C: Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-C: Alternative Investment Fund Managers/2024/01 dated January 10, 2024 or the NISM Series-XIX-D: Category I and II Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-D: Category I and II Alternative Investment Fund Managers/2025/01 dated April 29, 2025, issued by the National Institute of Securities Market.
- b. at least one key personnel, amongst the associated persons functioning in the key investment team of the Investment Manager of Category III Alternative Investment Fund, shall obtain certification from the National Institute of Securities Market by passing either the NISM Series-XIX-C: Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-C: Alternative Investment Fund Managers/ 2024/01 dated January 10, 2024 or the NISM Series-XIX-E: Category III Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-E: Category III Alternative Investment Fund Managers/2025/02 dated April 29, 2025, issued by the National Institute of Securities Market.

The requirement for at least one key personnel of the key investment team of manager of AIF to obtain the aforesaid certification, shall be applicable as an eligibility criterion to all the applications for registration of AIFs and launch of schemes by AIFs filed after June 25, 2025.

Further, the aforesaid requirement of obtaining the certifications shall be complied on or before July 31, 2025, for the existing schemes of AIFs and, schemes of AIFs whose application for launch of scheme pending with SEBI as on July 31, 2025.

The trustee/sponsor of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager in terms of para 15.2 of the Master Circular includes compliance with the provisions of the aforesaid circular.

**(w) Specific Due Diligence of Investors and Investments of the AIF**

SEBI *vide* its circular dated October 08, 2024, titled '*Specific due diligence of investors and investments of AIFs*'. provided for specific due diligence to be carried out by AIFs, investment managers of AIFs and their Key Management Personnel, with respect to investors and investments of the AIF, to prevent facilitation of circumvention of the following regulatory frameworks:

- i. **Investors availing benefits designated for QIBs through AIFs** - SEBI mandates AIFs to conduct due diligence of investors where the AIF qualifies as a Qualified Institutional Buyer ("**QIB**") under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**"). If an investor/ investors belonging to the same group, contribute 50% (Fifty Percent) or more to an AIF's corpus, the necessary due diligence as per the implementation standards formulated by Standard Setting Forum ("**SFA**") for AIFs, shall be carried out prior to availing benefits available to QIBs.
- ii. **Investors availing benefits designated for Qualified Buyers through AIFs** - RBI has designated AIFs registered with the SEBI as qualified buyers ("**QBs**") under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**"). This classification allows AIFs to subscribe to Security Receipts ("**SRs**") issued by Asset Reconstruction Companies ("**ARC**"). The above-mentioned circular has introduced a due diligence framework aimed at ensuring that investors not inherently eligible for QB status do not gain access to financial assets involved in securitization through AIFs. If any investor/ investors belonging to the same group contribute 50% (Fifty Percent) or more to the AIF's corpus, necessary due diligence as per the implementation standards formulated by SFA, shall be carried out prior to making any investments in SRs issued by ARCs or availing benefits designated for QBs under the SARFAESI Act.
- iii. **RBI regulated lenders/entities ever-greening their stressed loans/assets through AIFs:** Further, the circular establishes specific due diligence requirements to ensure compliance with the RBI prudential norms concerning income recognition, asset classification, provisioning, and the management of stressed assets.

Per the circular, for every scheme of an AIF:

- i. whose manager or sponsor is an entity regulated by RBI; or,
- ii. that has investor(s) regulated by RBI who:
  - (i) individually or along with investors of the same group contribute(s) 25% (Twenty-five Percent) or more to the corpus of the scheme; or,
  - (ii) is an associate of the manager/sponsor of the AIF; or,
  - (iii) by itself, or through its representative(s)/nominee(s), has majority or veto power in voting over decisions of the investment committee set up by the manager to approve investment decisions of the scheme

necessary due diligence as per the implementation standards formulated by SFA, shall be carried out. If an investor of the scheme is an AIF, or a fund set up outside India or in International Financial Services Centres in India, then the criteria check for investor(s) regulated by RBI shall be carried out on a look through basis.

If a proposed investment fails these checks, it cannot be made, or involved regulated entities must be excluded from the investment. Additionally, AIFs must conduct ongoing due diligence on existing investments, reporting any failures to the custodian by April 07, 2025, or confirming compliance if all investments meet the required standards.

- iv. **Investment from countries sharing land border with India through AIFs** - For AIF schemes where 50% (Fifty Percent) or more of the corpus is contributed by investors from bordering countries, or whose beneficial owners are from such countries, due diligence according to the implementation standards from the SFA must be conducted before any investment.

Further, the AIFs must report details of existing investments holding 10% (Ten Percent) or more of equity in an investee company to their custodians by April 07, 2025, using a specified format. For new investments resulting in similar ownership, AIFs must report to their custodians within 30 (Thirty) days of the investment. Custodians are required to compile this information monthly and report it to SEBI within 10 (Ten) working days after each month.

**(x) Foreign Investment in AIFs**

AIFs may raise funds from any Investor whether Indian, foreign or non-resident Indians. A resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding or a signatory to the bilateral Memorandum of Understanding with SEBI can be a foreign investor of an AIF. Further, an investor, or its or its beneficial owner as determined in terms of sub-rule (3) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, should not be the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of the Financial Action Task Force.

In case an investor who has been on-boarded to a scheme of an AIF, subsequently does not meet the aforementioned conditions, the manager of the AIF shall not draw down any further capital contribution from such investor for making an investment until the investor again meets the said conditions. The same shall also apply to investors already on-boarded to existing schemes of AIFs, who do not meet the conditions specified above.

**(y) Direct Plan**

SEBI *vide* Chapter 25 of the SEBI Master Circular for AIFs, stipulated that an AIF shall have an option of 'Direct Plan' for investors. Such Direct Plan shall not entail any distribution fee/ placement fee. SEBI further clarified that investors who approach a Category III AIF through a SEBI registered intermediary which is separately charging the investor any fee (such as advisory fee or portfolio management fee), are on-boarded via Direct Plan only and shall not be charged any distribution fee/ placement fee.

SEBI *vide* the circular also stipulated the following modalities for payment of distribution fee/ placement fee to the placement agent/s/distributors:

- Category III AIFs shall disclose distribution fee/ placement fee, if any, to the investors of AIF/scheme of AIF at the time of on-boarding.
- Category III AIFs shall charge distribution fee/ placement fee, if any, to investors only on equal trail basis i.e. no upfront distribution fee/ placement fee shall be charged by Category III AIFs directly or indirectly to their investors. Further, any distribution fee/ placement fee paid shall be only from the management fee received by the managers of such Category III AIFs.

**(z) Excuse and Exclusion**

SEBI *vide* Chapter 24 of the SEBI Master Circular for AIFs, has prescribed that a Category III AIF may excuse its investor from participating in a particular investment in the following circumstances:

- 1) Violation of applicable law: If the investor, based on the opinion of a legal professional/legal advisor confirms that its participation in the investment opportunity would be in violation of an applicable law; or
- 2) Contravention of internal policy of the investor- If an investor had disclosed to the investment manager, as part of the contribution agreement or any other agreement signed executed with such an investor, participation of the investor in such investment opportunity would be in contravention to the internal policy of the investor. The investment manager shall ensure that terms of such agreement with the investor include reporting of any change in the disclosed internal policy, to the AIF, within 15 days of such change.
- 3) Determination by the investment manager- An investor may be excused from participating in an investment opportunity, if the investment manager is of the opinion that investor's participation would violate any applicable law or regulation or cause any material adverse effect on AIF.
- 4) If the investor is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity.

**(aa) Accredited Investors only fund – SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2025**

By way of the Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2025 ("Third Amendment Regulations"), notified on November 18, 2025, SEBI has introduced a new concept of "Accredited Investors only fund" and has made amendments to the Regulations.

Regulation 2(1) (ac) of the Regulations defines an "Accredited Investors only fund" to mean an Alternative Investment Fund or a scheme of an Alternative Investment Fund in which each investor, other than the Manager, the Sponsor, employees or directors of the Alternative Investment Fund and employees or directors of the Manager, is an Accredited Investor. Existing AIFs or schemes launched prior to the notification of the Third Amendment Regulations may be permitted to convert into an Accredited Investors only fund, subject to the conditions as may be specified by SEBI. The Regulations also clarify that an "Accredited Investors only fund" shall include a large value fund for accredited investors.

Further, Regulation 2(1) (pa) of the Regulations (defining "large value fund for accredited investors") has been amended to, inter alia, reduce the minimum investment threshold per investor in such funds from INR 70 crore to INR 25 crore. In addition, an AIF or scheme launched prior to the notification of the Third Amendment Regulations may, subject to conditions specified by SEBI, be permitted to convert into a large value fund for accredited investors.

The Third Amendment Regulations have also:

- provided that certain eligibility requirements under Regulation 4(g)(i) of the Regulations shall not apply to an Accredited Investors only fund;
  - amended Regulation 10(f) of the Regulations to clarify that accredited investors shall be excluded while computing the number of investors in a scheme of an AIF;
  - aligned Regulation 13(5) of the Regulations with the concept of Accredited Investors only fund by replacing references to "large value fund for accredited investors" with "Accredited Investors only fund"; and
- amended Regulation 20 of the Regulations, including (a) inserting a further proviso to Regulation 20(8) to exempt large value funds for accredited investors from the requirements of that sub-regulation, (b) replacing references to "Large Value Fund for Accredited Investors" with "Accredited Investors only fund" in the second proviso to Regulation 20(22), and (c) inserting Regulation 20(24) to provide that, in case of an Accredited Investors only fund, the responsibilities and obligations of a trustee specified under the Regulations shall be carried out by the manager of such Accredited Investors only fund.

**(bb) Holding investments of AIFs in dematerialised form**

SEBI vide Chapter 20 of the Master Circular, mandates the dematerialisations of all units of an AIF.

SEBI vide its circular dated February 14, 2025 (SEBI/HO/AFD/PoD-1/P/CIR/2025/17) has provided to relax the timelines for AIFs to hold their investments in dematerialised form. In this regard, the following may be noted:

- i. Any investment made by an AIF on or after July 01, 2025 shall be held in dematerialised form only, irrespective of whether the investment is made directly in the investee company or is acquired from another entity.
- ii. The investments made by an AIF prior to July 01, 2025 are exempted from the requirement of being held in dematerialised form, except in the following cases:
  - Investee company of the AIF has been mandated under applicable law to facilitate dematerialisation of its securities;
  - The AIF, on its own, or along with other SEBI registered intermediaries/entities which are mandated to hold their investments in dematerialised form, exercises control over the investee company.

For the purpose of the aforesaid clause, the definition of 'control' shall be construed with reference to Regulation 2(1)(f) of the Regulations.

- iii. The investments made by an AIF prior to July 01, 2025 which are covered under the aforesaid conditions, shall be held in dematerialised form by the AIF on or before October 31, 2025.
  - iv. The aforesaid requirement of holding investments in dematerialised form shall not be applicable to:
    - A scheme of an AIF whose tenure (not including permissible extension of tenure) ends on or before October 31, 2025;
- (a) A scheme of an AIF which is in extended tenure as on February 14, 2025.

**(cc) Cybersecurity and Cyber Resilience Framework**

SEBI vide circular SEBI/HO/ITD-1/ITD\_CSC\_EXT/P/CIR/2024/113 dated August 20, 2024, has formulated Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI regulated entities, including the AIFs, in order to strengthen the cybersecurity measures in Indian securities market, and to ensure adequate cyber resiliency against cybersecurity incidents/ attacks. The CSCRF aims to provide standards and guidelines for strengthening cyber resilience and maintaining robust cybersecurity of SEBI regulated entities.

SEBI vide the circular dated April 30, 2025, 'Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)' revised the thresholds and categorisations of SEBI-regulated entities including AIFs. Additionally, SEBI clarified that the category of the regulated entities, for the framework, shall be decided at the beginning of each financial year on the basis of the data of the previous financial year. The regulated entity shall remain in the same category for the financial year irrespective of any changes in the parameters. Further, SEBI vide the circular dated June 30, 2025, extended the timeline to adhere to the compliances by two (2) months, i.e., till August 31, 2025 to all REs, except Market Infrastructure Institutions (MIIs), KYC Registration Agencies (KRAs), and Qualified Registrars to an Issue and Share Transfer Agents(QRTAs).

**(dd) Compliance with the Rights of Persons with Disabilities Act, 2016**

SEBI, vide Circular No. SEBI/HO/ITD-1/ITD\_VIAP/P/CIR/2025/111 dated July 31, 2025, has mandated that all Regulated Entities (“REs”) ensure compliance with the Rights of Persons with Disabilities Act, 2016 and related rules, with specific emphasis on digital accessibility for persons with disabilities. The requirements cover accessibility of all digital platforms (including websites, mobile applications, portals, and investor communication), adherence to prescribed standards such as WCAG 2.1, GIGW, and IS 17802, appointment of certified digital accessibility auditors, milestone-based implementation, annual reporting to SEBI/stock exchanges, and establishment of nodal officers and grievance redressal mechanisms. The circular also prescribes requirements for accessible investor documents, inclusive e-KYC processes, training and awareness initiatives, and mandatory periodic accessibility audits.

**(ee) Adoption of Standardised, Validated and Exclusive UPI IDs for Payment Collection by SEBI Registered Intermediaries from Investors:**

SEBI, vide circular no. SEBI/HO/DEPA-II/DEPA-II\_SRGP/P/CIR/2025/86 dated June 11, 2025, has introduced a standardised, validated and exclusive UPI ID mechanism for fund collection by SEBI-registered investor-facing intermediaries. This framework aims to enhance the safety, transparency, and authenticity of investor payments, enable fund transfers only to verified and registered market entities and Prevent fraud and misrouting of investor funds.

**3. SEBI (Issue Of Capital And Disclosure Requirements) Regulations, 2018**

This Section summarises some of the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), which will apply in the event that the Fund makes an investment before the initial public offering (“**IPO**”) of a Portfolio Entity or subscribes to the securities of the company by way of a preferential allotment or a Qualified Institutions Placement (“**QIP**”), subject to Applicable Laws. The Trust being an AIF, will be a qualified institutional buyer (QIB) for the purposes of ICDR Regulations. The ICDR Regulations replaced the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations 2009, and were notified by SEBI on September 11, 2018. The ICDR Regulations are, *inter alia*, applicable to public issues by listed and unlisted companies, all offers for sale and rights issues by listed companies, preferential issues, QIPs.

**SEBI Regulations on Initial Public Offer**

**1. Eligibility norms, compliances and key regulatory requirements**

The ICDR Regulations permit companies to make an IPO of equity shares or convertible securities upon the satisfaction of certain conditions, which include the following:

- Pre-issue net tangible assets of at least Rs. 3,00,00,000 (Indian Rupees Three Crore), calculated on a restated and consolidated basis, in each of the preceding 3 (three) full years (of 12 (twelve) months each) of which not more than 50% (fifty percent) is held in monetary assets. Provided that if more than 50% (fifty percent) of the net tangible assets are held in monetary assets, the issuer has utilized or made firm commitments to utilize such excess monetary assets in its business or project; provided further that the limit of 50% (fifty percent) on monetary assets shall not be applicable in case the IPO is made entirely through an offer for sale.
- The issuer company has an average operating profit at least Rs. 15,00,00,000 (Indian Rupees Fifteen Crore), calculated on a restated and consolidated basis, during the 3 (three) preceding years (of 12 (twelve) months each), with operating profit in each of these preceding three years.
- The issuer company has a net worth of at least Rs. 1,00,00,000 (Indian Rupees One Crore) in each of the preceding 3 (three) full years (of 12 (twelve) months each), calculated on a restated and consolidated basis.

- If the company has changed its name within the last 1 (one) year, at least 50% (fifty percent) of the revenue, calculated on a restated and consolidated basis, for the preceding 1 (one) full year has been earned by it from the activity indicated by the new name.

As per the ICDR Regulations an unlisted company, which does not comply with any of the conditions specified above, may make an IPO of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if the issue is made through the book-building process and the issuer company undertakes to allot, at least 75% (seventy five percent) of the net offer to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

If an issuer has issued SR equity shares (equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer) to its promoters/ founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the main board subject to compliance with the provisions of Chapter II of the ICDR Regulations and as per the clauses mentioned below:

- (i) the issuer shall be intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology or nano-technology to provide products, services or business platforms with substantial value addition.
- (ii) the net worth of the SR shareholder, as determined by a registered valuer, shall not be more than Rs. 1000 crores.

*Explanation:* While determining the individual net worth, the SR shareholder, his investment/shareholding in other listed companies shall be considered but not that of his shareholding in the issuer company.

- (iii) The SR shares were issued only to the promoters/founders who hold an executive position in the issuer company;
- (iv) The issue of SR equity shares had been authorized by a special resolution passed at a general meeting of the shareholders of the issuer, where the notice calling for such general meeting specifically provided for –
  - (a) the size of issue of SR equity shares,
  - (b) ratio of voting rights of SR equity shares vis-à-vis the ordinary shares,
  - (c) rights as to differential dividends, if any
  - (d) sunset provisions, which provide for a time frame for the validity of such SR equity shares,
  - (e) matters in respect of which the SR equity shares would have the same voting rights as that of the ordinary shares
- (v) The SR equity shares have been issued prior to the filing of draft red herring prospectus and held for a period of at least 3 (three) months prior to the filing of the red herring prospectus;
- (vi) The SR equity shares shall have voting rights in the ratio of a minimum of 2:1 upto a maximum of 10:1 compared to ordinary shares and such ratio shall be in whole numbers only;
- (vii) The SR equity shares shall have the same face value as ordinary shares;
- (viii) The issuer shall only have one class of SR equity shares;

- (ix) The SR equity shares shall be equivalent to ordinary equity shares in all respects, except for having superior voting rights.

*II. Entities not eligible to make an initial public offer*

1. An issuer shall not be eligible to make an initial public offer -
  - a) if the issuer, any of its promoters, promoter group or directors or selling shareholders are debarred from accessing the capital market by SEBI;
  - b) any of the promoters or directors of the issuer is a promoter or director of any other company which is debarred from accessing the capital market by SEBI;
  - c) the issuer or any of its promoters or directors is a wilful defaulter or a fraudulent borrower; or
  - d) any of its promoters or directors is a fugitive economic offender.
2. No unlisted company shall be allowed to make an initial public offer under the ICDR Regulations if there are any outstanding convertible securities or any other right which would entitle any person with any option to receive equity shares.

Provided that the above shall not apply to:

- a) outstanding options granted to employees, whether currently an employee or not, pursuant to an employee stock option scheme framed in accordance with the Companies Act, 2013, relevant guidance note or accounting standards, if any, issued by the Institute of Chartered Accountants of India or pursuant to the Companies Act, 2013, in this regard;
- b) fully paid-up outstanding convertible securities which are required to be converted on or before the date of filing of the red herring prospectus (in case of book-built issues) or the prospectus (in case of fixed price issues), as the case may be.

*III. Allotment procedure and basis of allotment*

1. An issuer company shall not make an allotment pursuant to a public issue in terms of the ICDR Regulations if the number of prospective allottees is less than 1,000 (one thousand).
2. An issuer shall not make any allotment in excess of the specified securities offered through the offer document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the designated stock exchange. Provided that in case of oversubscription, an allotment of Not more than one per cent. of the net offer to public may be made for the purpose of making allotment in minimum lots.
3. The allotment of specified securities to applicants other than to the retail individual investors, non-institutional investors and anchor investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed in the offer documents.
4. Provided that the value of specified securities allotted to any person, except in case of employees, in pursuance of reservation made under clause (a) of sub-regulation (1) or clause (a) of subregulation (2) of regulation 33 of the ICDR Regulations, shall not exceed INR 2,00,000 (Indian Rupees Two Lakhs) for retail investors or up to INR 5,00,000 (Indian Rupees Five Lakhs) for eligible employees.

5. The allotment of specified securities to each retail individual investor shall not be less than the minimum bid lot, subject to the availability of shares in retail individual investor category, and the remaining available shares, if any, shall be allotted on a proportionate basis.
6. The allotment of specified securities to each non-institutional investor shall not be less than the minimum application size, subject to the availability of shares in non-institutional investors' category, and the remaining shares, if any, shall be allotted on a proportionate basis in accordance with the conditions specified in this regard in Schedule XIII of the ICDR Regulations.
7. The authorised employees of the designated stock exchange, along with the lead manager(s) and registrars to the issue, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure as specified in Part A of Schedule XIV of ICDR Regulations.

#### IV. Pricing

An issuer company may determine the price of its equity shares or any securities convertible at a later date into equity shares in consultation with the lead manager(s) for the issue (i.e. fixed price route) or through the book building process.

- a) The fixed price route of pricing is that under which the issuer company in consultation with the lead manager, arrives at a price and the securities are offered to the public at this fixed price;
- b) The book building route of pricing is where the issuer company appoints a merchant banker who acts as a "Lead Manager" for a book building period, and accepts bids from qualified bidders in a price band determined by the issuer company in consultation with the Lead Manager. This mechanism enables the issue to discover the price that the market is willing to pay for the shares of the issuer company. At the end of the book-building period, the issue of shares is made at the best bid price obtained by the issuer company in consultation with the Lead Manager.

#### V. Promoters Contribution, Lock-in and Restrictions on Transferability

SEBI has stipulated that promoters must retain a certain minimum certified holding of the equity capital issued by the company. For the purposes of these disclosures, the term "promoter" includes the person who (a) has been named as such in the draft offer document or offer document and/or is identified by the issuer in the annual return referred to in section 92 of the Companies Act; or (b) has overall control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or (c) in accordance with whose advice, directions and instructions the board of directors of the issuer is accustomed to act.

#### VI. Lock-in of specified securities held by the Promoters

As per Regulation 16 of ICDR Regulations, the specified securities held by the promoters shall not be transferable for the periods as stipulated hereunder:

minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India referred to proviso to sub-regulation (1) of regulation 14 of ICDR Regulations, shall be locked-in for a period of 18 (eighteen) months from the date of allotment in the initial public offer:

Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be 3 (three) years from the date of allotment in the initial public offer.

promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of six months from the date of allotment in the initial public offer.

Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be 1 (one) year from the date of allotment in the initial public offer.

Explanation: For the purpose of the above paragraph, "capital expenditure" shall include civil work, miscellaneous fixed assets, purchase of land, building and plant and machinery, etc.

The SR equity shares shall be under lock-in until conversion into equity shares having voting rights same as that of ordinary shares or shall be locked-in for a period of specified in paragraph 1 above, whichever is later.

VII. Lock-in of specified securities held by persons other than promoters

As per Regulation 17 of the ICDR Regulations;

The entire pre-issue capital held by persons other than the promoters shall be locked-in for a period of 6 (six) months from the date of allotment in the initial public offer.: Provided that these provisions will not apply to:

- a. equity shares allotted to employees, whether currently an employee or not, under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures with respect to such options or scheme in accordance with Part A of Schedule VI of ICDR Regulations;
- b. equity shares held by an employee stock option trust or transferred to the employees by an employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not, in accordance with the employee stock option plan or employee stock purchase scheme.  
Provided that the equity shares allotted to the employees shall be subject to the provisions of lock-in as specified under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- c. equity shares held by a venture capital fund or alternative investment fund of Category I or Category II or a foreign venture capital investor:  
Provided that such equity shares shall be locked in for a period of at least six months from the date of purchase by the venture capital fund or alternative investment fund of Category I or Category II or foreign venture capital stor.

Explanation:

- (i) For the purpose of clause (c) above, in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of 6 (six) months period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at time of their conversion.
- (ii) For the purposes of clause (c) above, in case such equity shares have resulted pursuant to a bonus issue, then the holding period of such equity shares against which the bonus issue is made as well as holding

period of resultant bonus equity shares together shall be considered for the purpose of calculation of 6 (six) months period, subject to the following:

- a. that the bonus shares being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with the Board; and
- b. that the bonus shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

VIII. Minimum promoter contribution

As per Regulation 14 of the ICDR Regulations:

- (1) The promoters of the issuer company shall hold atleast 20% (twenty percent) of the post issue capital of the issuer company is required to be held by the promoters. In case the post issue shareholding of the promoters is less than 20% (twenty percent), then AIFs or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India may contribute for the purpose of meeting the shortfall in minimum contribution as specified for promoters, subject to a maximum of 10% (ten percent) of the post issue capital without being identified as promoters. Provided further that the requirement of minimum promoters' contribution shall not apply in case an issuer does not have any identifiable promoter.
- (2) Such promoters' contribution (including contribution made by AIFs or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India in the manner prescribed hereinabove) cannot be disposed of until the expiry of 3 (three) years from the date of allotment in the public issue (in case majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure) or until the expiry of 18 (eighteen) months from the date of allotment in the public issue (in other cases). In the event the promoters hold specified securities in excess of the minimum promoter's contribution, this excess shall be locked in for a period of 1 (one) year (in case majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure) or for a period of 6 (six) months (in other cases).
  - The Superior Rights ("SR") equity shares (equity shares of an issuer having superior voting rights compared to all other equity shares issued by that issuer) shall be under lock-in until conversion into equity shares having voting rights same as that of ordinary shares or shall be locked-in for a period as specified in clause (ii) above, whichever is later.
  - The ICDR Regulations prescribe lock-in restrictions on the pre-issue share capital of the issuer company held by persons other than promoters provided below:
    - a) The entire pre-issue share capital of any persons other than the promoter shall be locked-in for a period of 6 (six) months from the date of allotment in the proposed public issue.
    - b) This lock-in period of 6 (six) months is not applicable to the equity shares allotted to:
      - i. employees, whether currently an employee or not, under an employee stock option or employee stock purchase scheme of the issuer prior to the initial public offer, if the issuer has made full disclosures with respect to such options or schemes in accordance with Part A of Schedule VI of the ICDR Regulations;
      - ii. equity shares held by an employee stock option trust or transferred to the employees by an

- employee stock option trust pursuant to exercise of options by the employees, whether currently employees or not in accordance with the employee stock option plan or employee stock purchase scheme; Provided that the equity shares allotted to the employees shall be subject to the provisions of lock-in as specified under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- iii. held by a venture capital fund or AIFs of Category I or of Category II or a foreign venture capital investor; Provided that such equity shares shall be locked in for a period of at least 6 (six) months from the date of purchase by the venture capital fund or alternative investment fund of Category I or Category II or foreign venture capital investor.
  - iv. For the purpose of clauses (iii) and (iv) above, in case such equity shares have resulted pursuant to conversion of fully paid-up compulsorily convertible securities, the holding period of such convertible securities as well as that of resultant equity shares together shall be considered for the purpose of calculation of 6 (six) months period and convertible securities shall be deemed to be fully paid-up, if the entire consideration payable thereon has been paid and no further consideration is payable at the time of their conversion.
  - v. Further, the requirement of holding equity shares for a period of 1 (one) year does not apply:
    - a. to an offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in infrastructure sector;
    - b. if the equity shares offered for sale have been acquired pursuant to a scheme approved by a High Court or approved by a tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013, as applicable, in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;
    - c. if the equity shares offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the draft offer document with SEBI and further subject to the following: (i) such specified securities being issued out of free reserves and share premium existing in the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with SEBI; and (ii) equity shares not being issued by utilisation of revaluation reserves or unrealised profits of the issuer.

### **General conditions**

As per regulation 7 of the ICDR Regulations, an issuer making IPO shall ensure that:

- (i) it has made an application to one or more stock exchanges to seek an in-principle approval for listing of its specified securities on such stock exchanges and has chosen one of them as the designated stock exchange, in terms of Schedule XIX of the ICDR Regulations;
- (ii) it has entered into an agreement with a depository for dematerialisation of the specified securities already issued and proposed to be issued;
- (iii) all its specified securities held by the promoters are in dematerialised form prior to filing of the offer document;
- (iv) all its existing partly paid-up equity shares have either been fully paid-up or have been forfeited; and
- (v) it has made firm arrangements of finance through verifiable means towards 75% (seventy-five percent) of the stated means of finance for a specific project proposed to be funded from the issue proceeds, excluding the amount to be raised through the proposed public issue or through existing identifiable internal accruals.

The amount for general corporate purposes, as mentioned in objects of the issue in the draft offer document and the offer document shall not exceed 25% (twenty five per cent) of the amount being raised by the issuer.

The amount for: (i) general corporate purposes, and (ii) objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed thirty five per cent. of the amount being raised by the issuer, shall not exceed 35% (thirty five per cent) of the amount being raised by the issuer.

Provided that the amount raised for such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed 25% (twenty five per cent) of the amount being raised by the issuer.

Provided further that such limits shall not apply if the proposed acquisition or strategic investment object has been identified and suitable specific disclosures about such acquisitions or investments are made in the draft offer document and the offer document at the time of filing of offer documents.

### **Participation in private placement of securities**

The Fund may invest in Portfolio Entities by participating in a private offer of securities by such Portfolio Entities. All issues of capital by a listed public company by way of shares or convertible securities on a preferential basis are subject to fulfillment of the conditions prescribed by the Companies Act, 2013 and provisions relating to preferential issues set out under the ICDR Regulations. The Companies Act, 2013 requires the prior approval of the existing shareholders through a special resolution, which means a majority of three-fourth of the votes, by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, cast in favour of resolution for preferential allotment of shares.

### **Preferential Issue - Requirements**

Regulation 160 of the ICDR Regulations prescribe the following conditions for issuance of securities by a listed company, whose equity share capital is listed on any recognized stock exchange:

- a) all equity shares allotted by way of preferential issue shall be made fully paid up at the time of the allotment;
- b) a special resolution has been passed by its shareholders;
- c) all equity shares held by the proposed allottees in the issuer are in dematerialised form before an application seeking in-principle approval is made by the issuer to the stock exchange(s) where its equity shares are listed;
- d) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the stock exchange where the equity shares of the issuer are listed and the SEBI (Listing Obligations and Disclosure Requirements), 2015, as amended, and any circular or notification issued by SEBI thereunder;
- e) the issuer has obtained the permanent account numbers of the proposed allottees, except those allottees which may be exempt from specifying their permanent account number for transacting in the securities market by SEBI.
- f) the issuer has made an application seeking in-principle approval to the stock exchange(s), where its equity shares are listed, on the same day when the notice has been sent in respect of the general meeting seeking shareholders' approval by way of special resolution.

All issues of capital by listed companies in the form of shares or convertible securities by means of preferential allotment are subject to the pricing guidelines provided under the ICDR Regulations.

### **Pricing of frequently traded shares**

As per regulation 164 of the ICDR Regulations:

1. If the equity shares of the issuer company have been listed on a recognised stock exchange for a period of 90 (ninety) trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall not be less than higher of the following:
  - a. the 90 (ninety) trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or
  - b. The 10 (ten) trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

Provided that if the Articles of Association of the issuer company provides for a method of determination which results in a floor price higher than that determined under the ICDR Regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue..

2. If the equity shares of the issuer company have been listed on a recognised stock exchange for a period of less than 90 (ninety) trading days as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than the higher of the following:
  - a. the price at which equity shares were issued by the issuer company in its initial public offer or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer company were listed, as the case may be; or
  - b. the average of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during the period of the equity shares have been listed preceding the relevant date; or
  - c. the average of the 10 (ten) trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under the ICDR Regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.

3. Where the price of the equity shares is determined in terms of paragraph (2) above, such price shall be recomputed by the issuer company on completion of 90 (ninety) trading days from the date of listing on a recognised stock exchange with reference to the 90 (ninety) trading days' volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these 90 (ninety) trading days and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.

Provided that if the Articles of Association of the issuer company provide for a method of determination which results in a floor price higher than that determined under the ICDR Regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.

4. (a) A preferential issue of specified securities to qualified institutional buyers, not exceeding 5 (five) in number, shall be made at a price not less than the 10 (ten) trading days' volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.  
Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under ICDR Regulations, then the same shall be considered

as the floor price for equity shares to be allotted pursuant to the preferential issue.

(b) no allotment shall be made, either directly or indirectly, to any qualified institutional buyer who is a promoter or any person related to the promoters of the issuer: Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired rights in the capacity of a lender shall not be deemed to be a person related to the promoters.

Explanation - For the purpose of this clause, a qualified institutional buyer who has any of the following rights shall be deemed to be a person related to the promoters of the issuer company:-

- (a) rights under a shareholders' agreement or voting agreement entered into with promoters or promoter group;
- (b) veto rights; or
- (c) right to appoint any nominee director on the board of the issuer.

5. For the purpose of this provision in the ICDR Regulations, "frequently traded shares" means the shares of the issuer company, in which the traded turnover on any recognised stock exchange during the 240 (two-hundred and forty) trading days preceding the relevant date, is at least 10% (ten per cent) of the total number of shares of such class of shares of the issuer company:

Provided that where the share capital of a particular class of shares of the issuer company is not identical throughout such period, the weighted average number of total shares of such class of the issuer company shall represent the total number of shares.

**Explanation:** For the purpose of this provision in the ICDR Regulations, 'stock exchange' means any of the recognised stock exchange(s) in which the equity shares of the issuer company are listed and in which the highest trading volume in respect of the equity shares of the issuer company has been recorded during the preceding 90 (ninety) trading days prior to the relevant date.

#### Pricing of Infrequently traded shares

As per regulation 165 of the ICDR Regulations, where the shares are not frequently traded, the price determined by the issuer company shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such issuer companies, provided that the issuer company shall submit a certificate stating that the issuer company is in compliance of ICDR Regulations, obtained from an independent registered valuer to the stock exchange where the equity shares of the issuer company are listed.

- 1) If warrants are issued on a preferential basis with an option to apply for and be allotted shares, the issuer company shall determine the price of the resultant shares as aforementioned, and an amount equivalent to at least 25% (twenty five percent) of the price so fixed shall become payable for the warrants on the date of their allotment, which shall be adjusted against the price payable subsequently for acquiring the shares by exercising an option for the purpose. However, if the option to acquire shares is not exercised then the amount paid on allotment gets forfeited.
- 2) If Partly Convertible Debentures ("PCDs"), Fully Convertible Debentures ("FCDs") or other convertible instruments, are issued on a preferential basis, providing for the issuer to allot shares at a future date, the issuer shall determine the price at which the shares could be allotted in the same manner as specified for pricing of shares allotted in lieu of warrants as indicated in paragraph (1) above.
- 3) The tenure of the instruments such as warrants, PCDs, FCDs or any other financial instrument with a provision for the allotment of equity shares at a future date, either through conversion or otherwise, shall not exceed beyond 18 (eighteen) months from the date of issue of the relevant instrument.

- 4) The instruments allotted on a preferential basis to the promoter or the promoter group and the shares allotted pursuant to exercise of options attached to such warrants, shall be subject to lock-in of 18 (eighteen) months from the date of trading approval granted for the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be. Provided that not more than 20 per cent. of the total capital of the issuer shall be locked-in for 18 months from the date of trading approval and provided further that equity shares allotted in excess of the 20 per cent. shall be locked-in for 6 months from the date of trading approval pursuant to exercise of options or otherwise, as the case may be. The instruments allotted on preferential basis to persons other than promoter and promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to such persons shall be locked in for a period of 6 (six) months from the date of trading approval.
- 5) The allotment should be completed within a period of 15 (fifteen) days from the date of passing of the shareholders resolution granting consent for preferential issues of any financial instrument. However, where any application for exemption from the applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or any approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days will be counted from the date of order on such application or the date of approval or permission, as the case may be.

#### **Offer for Sale**

Subject to the terms contained under the ICDR Regulations, the Fund may act as the selling shareholder and may sell the specified securities held by it to the public by way of an offer for sale (as a part of an initial public offer/further public offer by the issuer company). A company whose equity shares are offered through an “offer for sale” must comply with the conditions described in the ICDR Regulations. Additionally, only those equity shares which are held by the offeror for a period of at least 1 year at the time of filing the draft offer document with the SEBI can be offered to the public through an “offer for sale.”

#### **Qualified Institutions Placement (QIP) – Requirements**

Qualified Institutions Placement (“**QIP**”) means allotment of eligible securities by a listed issuer to Qualified Institutional Buyers (“**QIBs**”) on private placement basis and includes an offer for sale of specified securities by the promoters and/or promoter group on a private placement basis.

The ICDR Regulations permit companies to make QIP of equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants (“eligible securities”) upon the satisfaction of certain conditions, which include the following:

1. A special resolution approving the QIP has to be passed by the shareholders of the company. The allotment shall be completed within 365 days from the date of passing the resolution.

Provided that no shareholders’ resolution will be required in case the qualified institutions placement is through an offer for sale by promoters or promoter group for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.

2. The equity shares of the same class, which are proposed to be allotted through QIP or pursuant to conversion or exchange of eligible securities offered through QIP, have been listed on a stock exchange for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the special resolution;
3. The Company shall comply with the Securities Contract (Regulation) Rules, 1957, if applicable;

4. An issuer company shall be eligible to make a qualified institutions placement if any of its promoters or directors is not a fugitive economic offender.
5. All eligible securities issued through a qualified institutions placement shall be listed on the recognised stock exchange where the equity shares of the issuer company are listed. Provided that the issuer shall seek approval under rule 19(7) of the Securities Contract (Regulation) Rules, 1957, if applicable.
6. The issuer company shall not make any subsequent qualified institutions placement until the expiry of 2 (two) weeks from the date of the prior qualified institutions placement made pursuant to one or more special resolutions.
7. “Relevant Date” means –
  - (i) in case of allotment of equity shares, the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the proposed issue;
  - (ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the board of directors of the issuer or the committee of directors duly authorised by the board of directors of the issuer decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares.
8. Pricing:
  - (i) The issue price of the shares shall not be less than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the 2 (two) weeks preceding the relevant date;  
Provided that the issuer company may offer a discount of not more than 5% (five per cent) on the price so calculated, subject to approval of shareholders as specified in clause (a) of regulation 172 of ICDR Regulations, except that no shareholders’ approval will be required in case of a qualified institutions placement made through an offer for sale by promoters for compliance with minimum public shareholding requirements specified in the Securities Contracts (Regulation) Rules, 1957.
  - (ii) Where eligible securities are convertible into or exchangeable with equity shares of the issuer, the issuer shall determine the price of such equity shares allotted pursuant to such conversion or exchange taking the relevant date as disclosed in special resolution referred to in clause (a) of sub-regulation (1) of regulation 172;
9. Restrictions: Allotment under QIP shall be subject to the following restrictions:
  - (i) Minimum 10% (ten percent) of eligible securities to be allotted to Mutual Funds; in case Mutual Funds do not subscribe to such minimum percentage, such part shall be allotted to other QIBs;
  - (ii) No allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to promoters of the issuer;
  - (iii) Provided that a qualified institutional buyer who does not hold any shares in the issuer and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to the promoters. In a QIP of non-convertible debt instrument along with warrants, an investor can subscribe to the combined offering of non-convertible debt instruments with warrants or to the individual securities, that is, either non- convertible debt instruments or warrants;
  - (iv) The applicants cannot withdraw or revise downwards their bids after the closure of the issue.
10. Persons deemed to be related to the promoter: No allotment shall be made, either directly or indirectly to any QIB who shall be deemed to be a promoter or a person related to the promoter of the issuer. A QIB who has any of the following rights shall be deemed to be a person related to the promoters of the issuer:
  - (i) rights under a shareholders’ agreement or voting agreement entered into with promoters or

- persons related to the promoters;
  - (ii) veto rights; or
  - (iii) right to appoint any nominee director on the board of the issuer.
11. Minimum number of allottees: The minimum number of allottees for each QIP shall not be less than:
- (i) 2 (two), where the issue size is less than or equal to Rs. 250 crores;
  - (ii) 5 (five), where the issue size is greater than Rs. 250 crores.

Provided that no single allottee shall be allotted more than 50% (fifty per cent) of the issue size.

12. Tenure: The tenure of the convertible or exchangeable eligible securities issued through qualified institutions placement shall not exceed 60 (sixty) months from the date of allotment
13. Lock-in of eligible securities for 1 (one) year, except sold on the recognised stock exchange.

Exit Opportunity to Dissenting Shareholders:

Pursuant to ICDR Regulations, the promoters or shareholders in control of an issuer company shall provide an exit offer to the dissenting shareholders in case of change in objects or variation in the terms of contract referred to in the prospectus being dissented to by at least 10% (ten per cent) of the shareholders and the amount to be utilized for the objects of the issued prospectus is less than 75% (seventy five per cent) of the amount raised, in terms of the provisions of the Companies Act, 2013. Such provisions however will not apply where there are neither identifiable promoters nor shareholders in control of the issuer company.

Further, investments in listed securities would be subject to SEBI regulations pertaining to (a) SEBI (Prohibition of Insider Trading) Regulations, 2015; and (b) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Promoter being a wilful defaulter or fraudulent borrower or a fugitive economic offender:

SEBI prohibits an issuer from making a public issue of equity securities, if the issuer or any of its promoters or directors is a wilful defaulter or fraudulent borrower. 'Wilful defaulter or fraudulent borrower' has been defined as a person or an issuer who is categorized as a wilful defaulter or fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers issued by the RBI. The ICDR Regulations prohibit an issuer from undertaking an IPO if any of its promoters or directors is a fugitive economic offender. A 'Fugitive Economic Offender' has been defined to mean an individual who is declared a fugitive economic offender under section 12 (twelve) of the Fugitive Economic Offenders Act, 2018.

4. Takeover Regulations

On September 23, 2011, SEBI announced its new takeover code, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Code**"), which came into effect on October 22, 2011, and replaced the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Once the Portfolio Entities in which the Fund has invested are listed or if the Fund invests in securities of a listed company, the Takeover Code may apply to the Trust.

Under the provisions of the Takeover Code, any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company or acquires or agrees to acquire control over a company, either by himself, or through, or with any person acting in concert) who acquires aggregating to 5% (five percent) or more of the shares of a listed public Indian company is required to notify to the company at its registered office and each of the stock exchanges on which the shares of such company are listed about its aggregate shareholdings and voting rights within 2 (two) days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights.

Furthermore, any person, who together with the persons acting in concert with him, holds shares or voting rights entitling them to 5% (five percent) or more of the shares or voting rights in a target company is required to inform the company at its registered office and the stock exchange about any change in its holdings representing more than 2% (two percent) of the shares or voting rights of the company within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition or disposal of shares or voting rights. Acquisition beyond five per cent but up to ten per cent of the voting rights in the target company shall be permitted for the financial year 2020-21 only in respect of acquisition by a promoter pursuant to preferential issue of equity shares by the target company. It is to be noted that, in case of listed entity which has listed its specified securities on Innovators Growth Platform, any reference to “five per cent” is to be read as “ten per cent” and any reference to “two per cent” is to be read as “five per cent.”

Upon the acquisition of 25% (twenty-five percent) or more of shares having voting rights, or an acquisition of control of the company (by himself or by persons acting in concert with him), whether direct or indirect, the purchaser / acquirer is required to make an open offer to the other shareholders offering to purchase at least 26% (twenty-six percent) of all the outstanding shares of the company at a minimum offer price as determined pursuant to the provisions of the Takeover Code. Further, under the provisions of the Takeover Code, any existing shareholder of a listed public Indian company, holding 25% (twenty-five percent) or more but less than maximum permissible non-public shareholding in the company is entitled to acquire an additional 5% (five percent) of the shares or voting rights of the company in any financial year ending March 31, without making a public offer for such an acquisition. Provided such additional acquisition of shares or voting rights shall not exceed the maximum permissible non-public shareholding in the company. For purposes of determining the quantum of acquisition of additional voting rights of 5% (five percent) gross acquisitions alone shall be taken into account regardless of any intermittent fall in shareholding or voting rights whether owing to disposal of shares held or dilution of voting rights owing to fresh issue of shares by the company. It is to be noted that, in case of listed entity which has listed its specified securities on Innovators Growth Platform any reference to “twenty-five per cent” is to be read as “forty-nine per cent.” This provision shall, however “as omitted with effect from 1st April, 2022.

The Takeover Code also defines indirect acquisition or control. This is defined as the ability to exercise or direct the exercise of voting rights which would otherwise attract the obligation of making a public announcement of an open offer. The threshold point for such indirect control or ability to control is where the proportionate net assets or sales turnover or market capitalization of the target company as a percentage of consolidated net assets value or sales turnover or enterprise value for the entity or business being acquired, respectively, is in excess of 80% (eighty percent) on the basis of recent audited financial statements. In such a case, such indirect acquisition would be deemed to be a direct acquisition of the target company for the purposes of the Takeover Code and the obligations relating to timing, pricing and other compliance requirements for the open offer relating to direct acquisition shall apply accordingly.

The open offer for the acquisition of a further minimum of 26% (twenty-six percent) of shares of the company or such other percentage as prescribed under the Takeover Code has to be made by way of a public announcement on the date of agreeing to acquire shares or voting rights in, or control over the company.

The acquirer shall be responsible to pursue all statutory approvals required by the acquirer in order to complete the open offer without any default, neglect or delay. In case the acquirer is unable to make payment to the shareholders who have accepted the open offer within such period, the acquirer shall pay interest for the period of delay to all such shareholders whose shares have been accepted in the open offer, at the rate of 10% (ten percent) per annum.

#### Exemptions from making Open Offer

SEBI has the power to grant exemption or relaxation from the requirements of the open offer under the Takeover Code in the interest of investors and the securities market. Such relaxations or exemptions can be sought by the acquirer by making an application to SEBI. Some instances of acquisition of shares exempted by the Takeover Code which may

apply to the Trust are as follows:

- Allotment pursuant to rights issue, (i) to the extent of his entitlement; and (ii) up to the percentage specified in Regulation 11;
- Acquisition pursuant to inter-se transfer of shares amongst qualifying persons;
- Acquisition pursuant to inter-se transfer of shares amongst qualifying persons, being (i) immediate relatives; (ii) persons named as promoters in the shareholding pattern filed by the target company; (iii) a company, its subsidiaries, its holding company, other subsidiaries of such holding company, personal holding not less than fifty percent of the equity shares of such company or other company in which such person holds not less than fifty per cent; (iv) persons acting in concert for not less than three years prior to the proposed acquisition and (v) shareholders of a target company who have been persons acting in concert for a period of not less than three years prior to the proposed acquisition;
- Acquisition of shares in the ordinary course of business by (i) an underwriter registered with SEBI by way of allotment pursuant to an underwriting agreement in terms of SEBI (Issuer of Capital and Disclosure Requirements) Regulations, 2009; (ii) a registered stock-broker of a stock exchange on behalf of clients; (iii) a merchant banker registered with SEBI or a nominated investor in the process of market making or subscription to the unsubscribed portion of issuer in terms of Chapter XB of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009; (iv) a registered market maker of a stock exchange in respect of shares for which he is the market maker, during the course of market making; (iii) by Public Financial Institutions on their own account; (v) by banks and public financial institutions as pledgees, etc.;
- Acquisitions at subsequent stages pursuant to an agreement of disinvestment;
- Acquisition pursuant to a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016);
- Acquisition pursuant to the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- acquisition pursuant to the Provisions of Delisting Regulations;
- acquisition by way of transmission, succession or inheritance.
- acquisition of voting rights or preference shares carrying voting rights arising out of the operation of sub-section (2) of section 47 of the Companies Act, 2013 (18 of 2013).
- acquisition of shares by the lenders pursuant to conversion of their debt as part of their debt restructuring.
- acquisition of shares pursuant to a scheme – (i) framed under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985; (ii) of arrangement or reconstruction including amalgamation or merger or demerger under any law or regulation, Indian or foreign acquisition of shares in companies whose shares are not listed on any stock exchange.
- according to the Takeover Code, an increase in the voting rights of any shareholder beyond the threshold limits without the acquisition of control, shall be exempted from the obligation to make an open offer if the SR equity shares have been converted into ordinary equity shares.
- any acquisition of shares or voting rights or control of the target company by way of preferential issue shall be exempt from the obligation to make an open offer;

The above exemption from open offer shall also apply to the target company with infrequently traded shares. An increase in voting rights in a target company of any shareholder beyond the limit attracting an obligation to make an open offer pursuant to buy-back of shares by the target company shall be exempt from the obligation to make an open offer provided such shareholder reduces his shareholding such that his voting rights fall to below the threshold within 90 (ninety) days from the date of the closure of the said buy-back offer.

5. **SEBI (Prohibition of Insider Trading) Regulations, 2015**

SEBI (Prohibition of Insider Trading) Regulations, 2015, (“**Insider Trading Regulations**”) have been notified by SEBI

and came into force with effect from May 15, 2015. The Insider Trading Regulations replaced the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Insider Trading Regulations prohibit an “insider” and a “connected person” from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of “unpublished price sensitive information” which is distinguished from “generally available information”. When a person who has traded in securities has been in possession of “unpublished price sensitive information”, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. The terms “insider”, “connected person”, “unpublished price-sensitive information” and “generally available information” are defined in the Insider Trading Regulations.

The insider is prohibited from communicating, counseling, causing or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information is prohibited from dealing in securities except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations and in furtherance in the interest of the company. Any person in receipt of unpublished price sensitive information pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of the Insider Trading Regulations and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with the Insider Trading Regulations.

In the case of “connected persons” the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on SEBI. However proof of innocence can be established by an insider if: (a) the transaction is an off-market *inter-se* transfer between insiders who were in possession of the same unpublished price sensitive information; (b) the transaction was carried out through the block deal window mechanism between persons who were in possession of the unpublished price sensitive information; (c) the transaction was carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction; (d) the transaction in question was undertaken pursuant to the exercise of stock options in respect of which the exercise price was pre-determined in compliance with applicable regulations; (e) in the case of non-individual insiders; (i) the individuals in possession of unpublished price sensitive information were different from individuals taking trading decisions and such decision making individuals were not in possession of unpublished price sensitive information when they took the decision to trade; and (ii) appropriate and adequate arrangements were in place to ensure that the provisions are not violated and no unpublished price sensitive information was communicated by individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached; and (f) the trades were pursuant to a trading plan set up in accordance with the Insider Trading Regulations. The Insider Trading Regulations also provides for disclosures to be made by certain person and such disclosures shall include those relating to trading by such person’s immediate relatives and by any other person for whom such person takes trading decisions.

The Insider Trading Regulations make it compulsory for listed companies and the board of directors or head(s) of the organisation of every intermediary to ensure that the chief executive officer or managing director establishes an internal code of conduct to prevent insider-trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a code of fair disclosure practices to prevent insider trading, which must be implemented by all listed companies and intermediaries. The Insider Trading Regulations requires appointment of a compliance officer to administer the code of conduct and other requirements under the Insider Trading Regulations.

The Insider Trading Regulations requires a person, on his appointment as key managerial personnel or a director or upon becoming a promoter or member of the promoter group of every company whose securities are listed on any recognised stock exchange, to disclose his holding of securities of the company as on the date of his appointment or becoming a promoter, to the company within seven days of such appointment or becoming a promoter.

On a continual basis, every promoter, member of the promoter group, designated person and director of every company

is required to disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of rupees ten lakh rupees or such other value as may be specified. Every company is required to notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information. The disclosures made shall be maintained by the company, for a minimum period of five years.

The terms “promoter” and “promoter group” shall have the same meaning as assigned to them under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any modification thereof.

Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with the Insider Trading Regulations. The chief executive officer, managing director or such other analogous person of a listed company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in the Insider Trading Regulations to prevent insider trading.

The disclosures required to be made by any person under the Insider Trading Regulations shall include those relating to trading by such person’s immediate relatives. The term “immediate relative” means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.

An insider is entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan. The Insider Trading Regulations prescribe certain requirements to be complied with in relation to such trading plans.

## **6. Anti-Money Laundering Legislation**

Prevention of Money Laundering Act, 2002 (“**PML Act**”) came into effect from July 1, 2005. Further, SEBI *vide* its master circular no. SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024 has mandated that all intermediaries should formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures, policy for acceptance of clients and also to adopt a Know Your Customer (“**KYC**”) policy. The intermediaries may, according to their requirements, specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further advised all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND). The PML Act, Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended and modified from time to time, the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter collectively referred to as ‘PML Laws’. The Trust as an AIF would have to ensure that the overall client due diligence process is followed and that the amount invested by the Contributors is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the ITA, PML Laws, Prevention of Corruption Act, 1988 and/or any other Applicable Law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.

The Trust shall produce reliable, independent source documents or produce such information as may be required from time to time for verification of the details. The Trust shall also, after application of appropriate due diligence measures,

have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the PML Laws.

Further, SEBI had extended the 'Uniform Know Your Client (KYC) Requirements for the Securities Markets' vide SEBI Circular MIRSD/SE/Cir-21/2011 dated October 5, 2011 to Venture Capital Funds (VCFs) and thereby to AIFs and advised them to meet certain basic uniform requirements that have been prescribed by SEBI for Customer Due Diligence (CDD) or KYC. The Finance (No. 2) Act, 2019 has further amended the Prevention of Money-Laundering Act, 2002 to introduce the process to carry out digital KYC by the reporting entity. Moreover, SEBI vide its circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020, has enabled online KYC processes with a view to achieve ease of doing business in the securities market, which may be completed through online / application based KYC, in-person verification through video, online submission of officially valid document / other documents.

## **7. Companies Act, 2013**

The Companies Act 2013 ("**Companies Act**") came into effect on September 12, 2013 and replaced the Companies Act, 1956. The Companies Act shall govern the Portfolio Companies in which the AIF shall invest. Under the Companies Act, a member (as defined under section 2(55) of the Companies Act) may be issued shares or debentures as per the agreement executed between them. The company shall issue shares to its members as per the provisions of section 42 and 62 of the Companies Act and rules prescribed thereunder. Equity shares issued by the company shall have voting rights or differential rights which may include dividend, voting or such other rights as may be provided under The Companies (Share Capital and Debentures) Rules, 2014. A company may issue debentures (under section 71 of the Companies Act and rules provided thereunder) with an option to convert such debentures into shares, either wholly or partly at the time of redemption. The debentures may be secured or non-secured. In the event of issue of secured debentures, the company shall comply with the provisions of rule 18 of The Companies (Share Capital and Debentures) Rules, 2014.

## **8. Foreign investment laws**

### **A. Foreign Investment in AIFs**

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("**FEMA Rules**") provides as follows:

Rule 2 (ae) of the FEMA Rules defines a 'investment vehicle' to mean an entity registered and regulated under relevant regulations framed by SEBI or any other authority designated for that purpose and shall include Real Estate Investment Trusts governed by the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, Infrastructure Investment Trusts governed by the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and AIFs governed by the Regulations.

Rule 2 (aq) of the FEMA Rules defines a 'beneficial interest' to mean beneficial interest of an investor in an investment vehicle.

The terms and conditions laid down in Schedule VIII of the FEMA Rules governing investment in Investment Vehicle are as follows:

- a) A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh) may invest in units of Investment Vehicles.
- b) A person resident outside India who has acquired or purchased beneficial interests in accordance with Schedule VIII of the FEMA Rules may sell or transfer in any manner or redeem the beneficial interests as per regulations framed by SEBI or directions issued by RBI.

- c) An investment vehicle may issue its beneficial interests to a person resident outside India against swap of capital instruments of a special purpose vehicle proposed to be acquired by such Investment Vehicle.
- d) Investment made by an investment vehicle into an Indian entity shall be reckoned as indirect foreign investment for the investee Indian entity if the sponsor or the manager or the investment manager (i) is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India.

Provided that for sponsors or managers or investment managers organized in a form other than companies or LLPs, SEBI shall determine whether the sponsor or manager or investment manager is foreign owned and controlled.

Explanation: 'Control' of the AIF should be in the hands of 'sponsors' and 'managers/ investment managers', with the general exclusion to others. In case the 'sponsors' and 'managers/ investment managers' of the AIF are individuals, for the treatment of downstream investment by such AIF as domestic, 'sponsors' and 'managers/ investment managers' should be resident Indian citizens.

- e) The amount of consideration shall be paid as inward remittance from abroad through banking channels or by way of swap of shares of a special purpose vehicle or out of funds held in NRE or FCNR (B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. The sale/maturity proceeds (net of taxes) of the beneficial interests may be remitted outside India or may be credited to the NRE or FCNR (B) account of the person concerned.

In terms of Schedule IV to the FEMA Rules, a Non-resident Indian (NRI) including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs may purchase/ contribute on non-repatriation basis, the beneficial interests issued by an investment vehicle without any limit, either on the stock exchange or outside it. Any such investment shall be deemed to be domestic investment at par with the investment made by residents.

SEBI vide Chapter 4 of SEBI Master Circular for AIFs, has prescribed guidelines for foreign investment in alternative investment funds. As per the SEBI Master Circular for AIFs, at the time of onboarding investors, the Investment Manager must ensure the following:

- a) Foreign investor of the Fund is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding or a signatory to the bilateral Memorandum of Understanding with SEBI.
- b) The investor, or its beneficial owner as determined in terms of sub-rule (3) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as –
  - (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  - (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

## II. **SEBI (FOREIGN PORTFOLIO INVESTORS) REGULATIONS, 2019**

- Overview

The SEBI (Foreign Portfolio Investors) Regulations, 2019 (“**FPI Regulations**”) were notified by SEBI on September 23, 2019. A foreign portfolio investor (FPI) has been defined as a person who has been registered under Chapter II of the FPI Regulations.

The Government of India in exercise of its powers under clauses (aa) and (ab) of Section 46(2) of FEMA has formulated the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (“**NDI Rules**”). The RBI in exercise of its powers under Section 6(2)(a) and Section 47 of FEMA has issued the Foreign Exchange Management (Debt Instruments) Regulations, 2019 (“**DI Regulations**”).

FPIs are permitted to invest in, *inter alia*, the following types of instruments under the FPI Regulations, the NDI Rules and the DI Regulations:

- a) equity instruments of an Indian company listed or to be listed on a recognized stock exchange in India;
- b) beneficial interests of domestic mutual funds or Category III Alternative Investment Fund or offshore fund for which no objection is issued in accordance with the SEBI (Mutual Fund) Regulations, 2026, which in turn invest more than 50% (fifty percent) in equity instruments on repatriation basis subject to the terms and conditions specified by SEBI and the RBI;
- c) beneficial interests of domestic mutual funds or Exchange-Traded Funds (ETFs) which invest less than or equal to 50% (fifty percent) in equity;
- d) beneficial interests of schemes floated by a collective investment scheme;
- e) treasury bills and dated government securities;
- f) commercial papers issued by an Indian company;
- g) credit enhanced bonds;
- h) security receipts issued by asset reconstruction companies;
- i) debt instruments issued by banks, eligible for inclusion in regulatory capital;
- j) non-convertible debentures/bonds issued by an Indian company;
- k) rupee denominated bonds or beneficial interests issued by infrastructure debt funds;
- l) Indian depository receipts;
- m) listed non-convertible/ redeemable preference shares or debentures issued in terms of Regulation 6 of the DI Regulations;
- n) securitised debt instruments, including (i) any certificate or instrument issued by a special purpose vehicle set up for securitisation of asset/s with banks, Financial Institutions or NBFCs as originators;
- o) rupee denominated bonds/ beneficial interests issued by Infrastructure Debt Funds; and
- p) such other instruments specified by the SEBI from time to time.

An FPI is required to adhere to the following:

- a) A registered FPI may trade or invest in all exchange traded derivative contracts approved by SEBI subject to the limits and margin requirement prescribed by RBI/SEBI as well as the stipulations regarding collateral securities as directed by the RBI from time to time.
- b) A registered FPI may, undertake short selling as well as lending and borrowing of securities subject to such conditions as may be stipulated by the RBI and the SEBI from time to time.
- c) An FPI shall transact only on the basis of taking and giving delivery of securities purchased or sold.
- d) Except in case of transactions in government securities and such other cases specified in FPI Regulations, the transactions in securities by an FPI shall be only through stockbrokers registered with SEBI.

- Categorisation

FPIs are categorized into 2 (two) classes:

- (a) **Category I FPI:** which shall include (i) government and government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75% (seventy-five percent) directly or indirectly owned by such government and government related investor(s), (ii) pension funds and university funds, (iii) appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, broker dealers and swap dealers; (iv) entities from the Financial Action Task Force member countries or from any country specified by the Central Government by an order or by way of an agreement or treaty with other sovereign governments, which are – (A) appropriately regulated funds; (B) unregulated funds whose investment manager is appropriately regulated and registered as a Category I FPI: Provided that the investment manager undertakes the responsibility of all the acts of commission or omission of such unregulated fund; (C) university related endowments of such universities that have been in existence for more than five years; (v) an entity (A) whose investment manager is from the Financial Action Task Force member country and such an investment manager is registered as a Category I FPI; or (B) which is at least 75% (seventy-five percent) owned, directly or indirectly by another entity, eligible under sub-clause (ii), (iii) and (iv) above and such an eligible entity is from a Financial Action Task Force member country: Provided that such an investment manager or eligible entity undertakes the responsibility of all the acts of commission or omission of the applicants seeking registration under this sub-clause (v);
- (b) **Category II FPI:** which shall include all the investors not eligible for registration as Category I FPIs, such as (i) appropriately regulated funds not eligible as Category I FPIs, (ii) endowments and foundations, (iii) charitable organizations, (iv) corporate bodies, (v) family offices, (vi) individuals, (vii) appropriately regulated entities investing on behalf of their client as per the conditions specified by SEBI; and (viii) unregulated funds in the form of limited partnerships and trusts.

‘appropriately regulated’ entity means an entity which is regulated by the securities market regulator or the banking regulator of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India.

- Investment Caps:

- Equity Instruments

The total holding by each FPI or an investor group, shall be less than 10% (ten percent) of the total paid-up equity capital on a ‘fully diluted basis’ or less than 10% (ten percent) of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all FPIs put together, including any other direct and indirect foreign investments in the Indian company permitted under the NDI Rules, shall not exceed 24% (twenty-four percent) of paid-up equity capital on a ‘fully diluted basis’ or paid up value of each series of debentures or preference shares or share warrants. The said limit of 10% (ten percent) and 24% (twenty-four percent) shall be called the individual and aggregate limit, respectively. ‘Fully diluted basis’ means the total number of shares that would be outstanding if all possible sources of conversion are exercised. Further, it is to be noted that multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% (fifty percent) or common control, shall be treated as part of the same investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single FPI.

In order to ensure compliance with the above, at the time of finalization of basis of allotment during primary market issuances, RTAs shall use Permanent Account Number (‘PAN’) issued by Income Tax Department of India for checking compliance for a single FPI. RTAs shall obtain validation from depositories for the FPI investor group who have invested in the particular primary market issuance to ensure there is no breach of investment limit within the timelines specified by SEBI for issue procedure.

Subject to the provisions of the NDI Rules, the aggregate limit of 24% (twenty-four percent) shall be increased to

the sectoral caps applicable to the Indian company, in accordance with Schedule I of the NDI Rules with respect to its paid-up equity capital on a 'fully diluted basis' or such same sectoral cap percentage of paid up value of each series of debentures or preference shares or share warrants. Further, the aggregate limit for investments by FPIs in an Indian company in a sector where foreign direct investment is prohibited, shall be 24% (twenty-four percent).

The FPIs investing in breach of the prescribed limit shall have the option of divesting their holdings within 5 (five) trading days from the date of settlement of the trades causing the breach, by selling shares only to domestic investors. In case the FPI chooses not to divest, then the entire investment in the company by such FPI and its investor group shall be considered as investment under foreign direct investment, and shall be subject to the conditions as specified by SEBI and the RBI in this regard, including the NDI Rules and the 'Operating Guidelines for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors' ("**Operating Guidelines**") issued to facilitate the implementation of the FPI Regulations. Such FPI and its investor group shall inform respective custodians of their decision to treat their FPI investments as foreign direct investments, and the custodians in turn will report the same to SEBI, depositories and the relevant Indian Company. Such investments shall be treated as foreign direct investments and shall be subject to norms as prescribed by RBI from time to time and will be marked as foreign direct investments in custodian records. However, FPI and its investor group will be able to sell the securities only through the route as they were acquired and appropriate reporting will be made by the respective custodian.

FPIs are permitted to invest in corporate bonds with minimum residual maturity of above one year, subject to the condition that short-term investments (i.e. investment in securities with residual maturity up to 1 (one) year) in corporate bonds by an FPI shall not exceed 30% (thirty percent) of the total investment of that FPI in corporate bonds. These restrictions do not apply to investments in 'exempted securities', which includes (i) security receipts and debt instruments issued by Asset Reconstruction Companies, (ii) debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency Code, and (iii) non-convertible debentures /corporate bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond.

#### Debt Instruments

The RBI notifies the aggregate limits available to FPIs to invest in Central Government securities ("**G-secs**"), State Development Loans ("**SDLs**") and corporate bonds from time to time.

FPI are permitted to invest in G-secs and SDLs categories without any minimum residual maturity requirement, subject to the condition that short-term investments (i.e. investment in securities with residual maturity up to 1 (one) year) by an FPI under either category shall not exceed, at any point of time, 30% (thirty percent) of the total investment of that FPI in that category.

FPIs are permitted to invest in corporate bonds with minimum residual maturity of above one year, subject to the condition that short-term investments (i.e. investment in securities with residual maturity up to 1 (one) year) in corporate bonds by an FPI shall not exceed 30% (thirty percent) of the total investment of that FPI in corporate bonds. These restrictions do not apply to investments in 'exempted securities', which includes (i) security receipts and debt instruments issued by Asset Reconstruction Companies, (ii) debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency Code, and (iii) non-convertible debentures /corporate bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond. The requirement that the short-term investments shall not exceed 30% (thirty percent) of total investment by an FPI in any category applies on an end-of-day basis. At the end of any day, all investments with residual maturity of up to one year will be reckoned for the 30% (thirty percent) limit.

FPI investment in corporate bonds shall be subject to the following requirements:

- (a) Investment by any FPI (including investments by related FPIs), shall not exceed 50% (fifty percent) of any issue of a corporate bond. In case an FPI (including related FPIs) has invested in more than 50% (fifty percent) of any single issue, it shall not make further investments in that issue until this stipulation is met.
- (b) No FPI shall invest in partly paid debt instruments.

An FPI shall comply with other conditions for investments in G-secs, SDLs and corporate bonds pertaining to security-wise limits, reporting of utilization of limits, concentration limits etc. as stipulated by RBI and SEBI from time to time.

#### Debt Instruments under the Voluntary Retention Route

The Reserve Bank of India on March 01, 2019, notified the 'Voluntary Retention Route' ("VRR") to enable investments by FPIs in debt markets in India. Investments through the VRR will be free of the macro-prudential and other regulatory norms applicable to FPI investments in debt markets, provided FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period. Participation through the VRR is voluntary.

- Appropriately regulated entities investing on behalf of clients

In terms of the Operating Guidelines, appropriately regulated entities such as banks, merchant banks, asset management companies, investment managers, investment advisors, portfolio managers, insurance & reinsurance entities, broker dealers and swap dealers (each an "**Appropriately Regulated Entity**") are permitted to undertake investments on behalf of their clients that are individuals or family offices. Such clients shall invest as Category II FPIs. The Appropriately Regulated Entity is also permitted to make proprietary investments by registering itself as a Category I FPI. Where an Appropriately Regulated Entity undertakes investments on behalf of its client, Category II FPI registration shall be granted to such client subject to following conditions:

- i. such client is either an individual or a family office;
- ii. such client shall be eligible for registration as FPI and shall not be dealing on behalf of a third party;
- iii. if the Appropriately Regulated Entity is from a Financial Action Task Force member country, then the KYC including identification and verification of the beneficial owner of the client of such Appropriately Regulated Entity shall be done by the Appropriately Regulated Entity as per requirements of its home jurisdiction. If the Appropriately Regulated Entity is from non-Financial Action Task Force member country, then the KYC including identification and verification of the beneficial owner of the client shall be done in accordance with laws of India;
- iv. the Appropriately Regulated Entity has to provide complete details of the client on quarterly basis (end of calendar quarter) by end of the following month to the DDP as specified in the Operating Guidelines;
- v. Investments made by the client directly as FPI and through its investor group (if any) shall be clubbed at the investment limit as applicable to a single FPI.

- Requirement for segregated portfolios

Funds investing in India include those with sub-funds or separate classes of shares or equivalent structure with segregated portfolio for such sub-funds or separate classes of shares or equivalent structure. The assets & liabilities across such sub-funds or separate classes of shares or equivalent structure may be ring fenced from each other as directed by the FPI. FPIs having segregated portfolio(s) are required to provide Beneficial Owner ('BO') declaration for each fund/sub-fund/share class/equivalent structure that invests in India. Further, in case of addition of fund/sub fund/share class/equivalent structure with segregated portfolio that invests in India, the FPI

shall be required to provide BO information prior to investing in India through such new fund/sub fund/share class/equivalent structure. For deletion of sub-fund/share classes/equivalent structure that invests in India, an intimation should be provided to DDP forthwith. The FPI shall also ensure that funds/sub funds/share classes/equivalent structure that do not adhere to the above requirements shall not invest in India in future.

- Dealing in Offshore Derivative Instruments (“ODIs”)

Under the FPI Regulations, only Category I FPIs are permitted to issue, subscribe and otherwise deal in ODIs, directly or indirectly, subject to the Operating Guidelines. Category II FPIs are not permitted to issue, subscribe or deal in ODIs.

- Conditions subject to which NRIs/ OCIs/ RIs shall be allowed to be constituents of FPIs

As per Part A of the Operating Guidelines, Non Resident Indians (“**NRIs**”)/Overseas Citizens of India (“**OCIs**”)/Resident Indians (“**RI**s”) shall be allowed to be constituents of FPIs. The conditions *inter alia* are as follows:

- a) The contribution by a single NRI or OCI or RI should be below 25% (twenty-five percent) of the total contribution in the corpus of the FPI and aggregate contributions by NRIs, OCIs and RIs should be below 50% (fifty percent) of the total contribution in the corpus of the FPI. Further, the contribution of RI is permitted, if made through the Liberalised Remittance Scheme approved by RBI in global funds whose Indian exposure is less than 50% (fifty percent).
- b) NRI/ OCI/ RI should not be in control of the FPI. This is not applicable if the FPI is an ‘offshore fund’ for which ‘No Objection Certificate’ has been issued by SEBI in terms of the SEBI (Mutual Funds) Regulations, 2026, or is controlled by an investment manager which is controlled and/or owned by NRI or OCI or RI if the following conditions are satisfied: (i.) such investment manager is appropriately regulated in its home jurisdiction and registered with SEBI as a non-investing FPI, or (ii.) such investment manager is incorporated or setup under the Indian laws and appropriately registered with the SEBI.

The above restrictions in regard to eligibility conditions for investments by NRI/OCI/RI in an FPI will not be applicable to FPIs investing only in mutual funds in India.

- Know Your Client (KYC) requirements for FPI:

The Operating Guidelines have prescribed the requirements for identification and verification of beneficial owners of Category I FPI (excluding Category I FPIs registered under Regulation 5(a)(i) of the FPI Regulations) & Category II FPI and the KYC requirements can be complied in accordance with the FPI Regulations and Operating Guidelines.

SEBI vide its circular SEBI/HO/AFD/AFD-POD-2/P/CIR/2024/76 dated June 5, 2024 has amended the FPI master Circular and provided that in terms of Regulation 22, if there is any change in the material information previously furnished by the FPI to the DDP and/or SEBI, which has a bearing on the certificate granted by the DDP on behalf of the Board, it shall inform the DDP and/or the Board in writing, in the following manner:

- a. ‘Type I’ material changes shall be informed by FPIs as soon as possible and within seven working-days of the occurrence of the change and the supporting documents (if any) shall be provided within 30 days of such change. This category shall include critical material changes that:
  - I. render the FPI ineligible for registration
  - II. require FPI to seek fresh registration

- III. render FPI ineligible to make fresh purchase of securities
- IV. impact any privileges (e.g. QIB) available or granted to the FPI under the extant regulatory framework
- V. impact any exemptions available or granted to the FPI under the extant regulatory framework The Circular further provides the definition of Type 1 and Type 2 material change.

The following material changes shall be considered as 'Type I' material changes:

- I. Change of Jurisdiction
  - II. Name change on account of acquisition, merger, demerger, restructuring, change of ownership/control
  - III. Acquisition/merger/demerger resulting in cessation of existence of FPI
  - IV. Restructuring of legal form/sub-category (e.g. Corporate to trust)
  - V. Change in regulatory status of the FPI (e.g. regulated to unregulated fund)
  - VI. Change in compliance status of jurisdiction of FPI/BO in terms of Regulation 4(d), 4(e) or 4(f) of the FPI Regulations, 2019
  - VII. Reclassification of the FPI from Category I to Category II
  - VIII. Addition of FPI(s) to any existing/new investor group(s)
  - IX. FPIs obtaining registration under Category-I on support of an Investment Manager (IM) and such IM being either removed (temporarily/permanently) or losing its Category I eligibility
  - X. Breach of prescribed threshold for aggregate contribution of NRIs, OCIs and Ris
  - XI. Any information or particulars previously submitted to the Board or DDP are found to be false or misleading, in any material respect
  - XII. Any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator
  - XIII. Changes which impact any exemption granted in terms of SEBI Circular dated August 24, 2023
  - XIV. Breach of any of the eligibility criteria as specified under Regulation 4 of FPI Regulations, 2019 unless the FPI has been exempted from complying with the said criteria
- b. 'Type II' material changes, i.e., any material changes other than those considered as 'Type I' material changes, shall be informed and supporting documents (if any) shall be provided by FPIs as soon as possible and within 30 days of such change.

The DDP shall examine all material changes informed by the FPIs and re assess the eligibility of the FPI including requiring FPIs to seek fresh registration. However, the DDP shall mandatorily require the FPI to seek fresh registration in case of 'Type I' material changes. It was also provided that Deletion of sub-fund/share classes/equivalent structure that invests in India, shall be considered a 'Type II' material change.

SEBI vide its circular SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/77 dated June 5, 2024 provided the following framework for providing flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration:

- i. FPIs who wish to continue with their registration for the subsequent block of three years, should pay the fees to their DDPs and inform change in information, if any, as submitted earlier.
- ii. In case of no change in information, FPIs shall give declaration that there is no change in the information, as previously furnished.
- iii. FPI shall provide the additional information, if applicable, along with supporting documents including fees for continuance of its registration at least 15 days prior to current validity of its registration in order to facilitate a smooth continuance process. FPI is required to submit a reason for delay, if any, in delayed submission of such information/fees
- iv. If DDP is in receipt of registration fees prior to validity date but the due diligence including KYC review is not complete by the validity date due to non-submission of information by the FPI, no further purchases may be

- permitted until intimation of continuance is given by DDP.
- v. An FPI who fails to pay the requisite fees before expiry of validity of its registration shall be permitted to pay the same along with a late fee and re-activate its registration within a period of 30 days from the date of such expiry. The re-activation of registration shall be subject to the FPI complying with applicable KYC and Anti Money Laundering/Countering the Financing of Terrorism (AML/CFT) requirements. The FPI shall be permitted to dispose the securities held in its account during the period from expiry of registration till re-activation of registration. However, no fresh purchases of securities shall be permitted from expiry of registration till re-activation of registration.
  - vi. Where the FPI has not paid fees for continuance of its registration within the prescribed timelines, its FPI registration shall cease to be valid after the date, up to which, the last registration fees were duly paid by the FPI.
  - vii. DDPs shall send suitable reminders to their respective FPI clients for renewal of registration well in advance of such expiry.
  - viii. An FPI whose registration has expired and has failed to re-activate its registration within the prescribed time period, shall be permitted to dispose the securities held in its account within 180 days from the expiry of the prescribed 30 days' time period for reactivation of registration. The remittance of sale proceeds to the FPI shall be subject to applicable KYC, AML/CFT requirements.

It is clarified that till the expiry of the aforementioned 180-day period the monetary/non-monetary corporate benefits/voting rights with respect to such securities, if any, shall continue to accrue to the FPI.

**B. Foreign investment laws in general**

Currently, the fund is not foreign owned or controlled. However, if the fund becomes foreign owned or controlled then the following provisions shall be applicable:

Downstream investments by the Fund in certain securities (that is, investment in equity instruments as per the FEMA Rules) shall be subject to the FEMA Rules, and the reporting norms under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.

An Indian entity that has received indirect foreign investment shall comply with the entry route, sectoral caps, pricing guidelines and other attendant conditions as applicable for foreign investment. In the event the Sponsor and the Investment Manager are not owned and not controlled by resident Indian citizens as of the date of this Memorandum, downstream investment by the Fund in certain securities (that is, investment in equity instruments as per the FEMA Rules) will be construed as indirect foreign investment.

Downstream investment that is treated as indirect foreign investment for the investee entity shall be subject to the following conditions, namely:-

- a. downstream investment shall have the approval of the board of directors as also a shareholders' agreement, if any;
- b. for the purpose of downstream investment, the Indian entity making the downstream investment shall bring in requisite funds from abroad and not use funds borrowed in the domestic markets and the downstream investments may be made through internal accruals and for this purpose, internal accruals shall mean profits transferred to reserve account after payment of taxes. Further raising of debt and its utilisation shall be in compliance with FEMA and rules or regulations made thereunder.

Equity instrument of an Indian company held by another Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India may be transferred to:

- a. a person resident outside India, subject to the reporting requirements as specified by the RBI.
- b. a person resident in India subject to adherence to pricing guidelines;
- c. an Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India.

The first level Indian company making downstream investment shall be responsible for ensuring compliance with the provisions of these rules for the downstream investment made by it at second level and so on and so forth and such first level company shall obtain a certificate to this effect from its statutory auditor on an annual basis and such compliance of these rules shall be mentioned in the director's report in the annual report of the Indian company. In case statutory auditor has given a qualified report, the same shall be immediately brought to the notice of the regional office of the RBI in whose jurisdiction the registered office of the company is located and shall also obtain acknowledgement from the registered office.

Further, based on the guiding principle of the downstream investment, the arrangements which are available for direct investment under the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("NDI Rules") such as investment by way of swap of equity instruments/equity capital, payment arrangements/mechanism as per Rule 9(6) of the NDI Rules etc, shall also be available for the purpose of downstream investment provided that the transaction does not circumvent the provisions contained in Rule 23 of the NDI Rules, including the restrictions on use of borrowed funds for downstream investment.

As per the amendment in Foreign Exchange Management (Overseas Investment) Directions, 2022 dated June 07, 2024:

- a. The investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be treated as OPI. Accordingly, in jurisdictions other than IFSCs, listed Indian companies and resident individuals may make such investment. Whereas in IFSCs, an unlisted Indian entity also may make such OPI in units or any other instrument (by whatever name called) issued by an investment fund or vehicle, in terms of schedule V of the OI Rules subject to limits, as applicable.
- b. person resident in India, being an Indian entity or a resident individual, may make investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund or vehicle set up in an IFSC, as OPI. Accordingly, in addition to listed Indian companies and resident individuals, unlisted Indian entities also may make such investment in IFSC.

## **2. Other regulatory considerations**

### **A. The Insolvency and Bankruptcy Code, 2016**

The Insolvency and Bankruptcy Code, 2016 ("**Insolvency Code**") seeks to provide for insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.

Part II of the Insolvency Code applies to matters relating to insolvency and liquidation of corporate debtors where the minimum default is INR 1,00,00,000 (Indian Rupees One Crore). The Insolvency Code defines a corporate debtor as a corporate person who owes a debt to any person.

The Insolvency Code proposes 2 (two) processes for insolvency resolution (a) the insolvency resolution process, and (b) liquidation process. A financial creditor, an operational creditor or the corporate debtor itself, may apply for initiating

corporate insolvency resolution process before the adjudicating authority in respect of the corporate debtor. The adjudicating authority shall within a period of 14 (fourteen) days of receipt of the application, either admit or reject the application for corporate insolvency process. Upon admission of the corporate insolvency process, the adjudicating authority shall appoint an interim resolution professional for the management of the affairs of the corporate debtor as specified in the Insolvency Code. The interim resolution professional shall constitute a committee of creditors, amongst other things. The interim resolution professional shall convene a meeting of the committee of creditors after collating all claims received against the corporate debtor. The committee of creditors shall appoint the resolution professional in the first meeting.

The resolution professional shall conduct the corporate insolvency resolution process in accordance with the procedure specified in the Insolvency Code. In the event, the adjudicating authority does not receive a resolution plan before the expiry of the insolvency resolution process period or rejects the resolution plan for non-compliance with the requirements set out in the Insolvency Code, the adjudicating authority shall pass an order for the liquidation of the corporate debtor. The adjudicating authority for corporate insolvency resolution process would be the NCLT.

The Insolvency Code also provides for a fast track corporate insolvency resolution process for corporate debtors with assets and income below a level as may be notified by the Central Government or with such class of creditors or such amount of debt as may be notified by the Central Government or such other category of corporate persons as may be notified by the Central Government. Such fast track corporate insolvency resolution process shall be completed within a period of 90 (ninety) days from the date of admission of an application for initiating corporate insolvency resolution process by the NCLT. Such times lines may be extended in accordance with the process laid down under the Insolvency Code. Further such extension of timelines will not be granted more than once.

#### **B. The Competition Act, 2002**

The Competition Act, 2002 (“**Competition Act**”) provides for the establishment of a ‘Commission’ to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India. As per the provisions of the Competition Act, no enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India. Further, presence of appreciable adverse effect on competition shall be presumed where any agreement entered into between enterprises or associations of enterprises or persons or associations of persons or between any person and enterprise or practice carried on, or decision taken by, any association of enterprises or association of persons, including cartels, engaged in identical or similar trade of goods or provision of services, which:

- a. directly or indirectly determines purchase or sale prices;
- b. limits or controls production, supply, markets, technical development, investment or provision of services;
- c. shares the market or source of production or provision of services by way of allocation of geographical area of market, or type of goods or services, or number of customers in the market or any other similar way;
- d. directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have an appreciable adverse effect on competition.

Provided that nothing contained under section 3(3) of the Competition Act shall apply to any agreement entered into by way of joint ventures if such agreement increases efficiency in production, supply, distribution, storage, acquisition or control of goods or provision of services.

#### **C. The Digital Personal Data Protection Act, 2023**

The Digital Personal Data Protection Act, 2023 has been notified on August 11, 2023, and seeks to protect personal

data<sup>1</sup> of an individual. The Investment Manager including its service providers shall be subject to the norms specified in the said Act, including but not limited to seeking consent, purpose for seeking such personal data, roles and responsibilities of data fiduciary<sup>2</sup> and data processor<sup>3</sup> etc. The individuals (referred to as data principal) has been granted *inter alia* following rights:

- a) Right to receive information on summary of personal data being processed and various processing activities being undertaken;
- b) Identifying all data fiduciary and data processor with whom person data shall be shared;
- c) Right to correction and erasure of personal data;
- d) Right of grievance redressal; and
- e) Right to nominate

Various rules providing operational clarity including setting up of Data Protection Board of India shall be notified shortly.

**D. Weapons of Mass Destruction and Their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005**

The Ministry of Finance has issued an order dated January 30, 2023, detailing the procedure for implementation of Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“**WMD Act**”). The WMD Act seeks to prohibit unlawful manufacture, transport, or transfer of WMD (chemical, biological and nuclear weapons) and their means of delivery. Under the amendments of 2022, the scope of the WMD Act has been enhanced to include the financing of such banned activity.

Pursuant to the order dated January 30, 2023, SEBI has issued a circular dated April 26, 2023, providing directions to SEBI registered intermediaries including an AIF, restricting onboarding and freezing assets of any investor which is:

- a) owned or controlled, wholly or jointly, directly or indirectly, by such person; or
  - b) held by or on behalf of, or at the direction of, such person; or
- derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person.

**THE INFORMATION PRESENTED ABOVE IS A BROAD DISCUSSION ON THE IMPORTANT LEGAL AND REGULATORY CONSIDERATIONS APPLICABLE TO THE FUND, THE INVESTMENT MANAGER AND/OR SPONSOR AND THE INVESTOR. FOR A COMPREHENSIVE UNDERSTANDING OF THE POSITION OF LAW, THE READER IS DIRECTED TO THE ORIGINAL TEXT OF THE STATUTES, REGULATIONS, RULES OR GUIDELINES MENTIONED ABOVE AND TO SEEK APPROPRIATE LEGAL COUNSEL IN CONNECTION THEREWITH.**

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<sup>1</sup> ‘Personal Data’ is defined as any data about an individual who is identifiable by or in relation to such data.

<sup>2</sup> ‘Data Fiduciary’ is defined as any person who alone or in conjunction with other persons determines the purpose and means of processing of personal data.

<sup>3</sup> ‘Data Processor’ is defined as any person who processes personal data on behalf of Data Fiduciary.

## **UNITED STATES OF AMERICA**

### **A. Securities Act of 1933**

The Units have not been, nor will they be, registered under the 1933 Act, or registered or qualified under the securities or blue sky laws of any state or other political subdivision of the United States. Except as specified herein, the Units may not be offered, sold, transferred, or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the 1933 Act, see “Definition of U.S. Person” below).

Notwithstanding the foregoing, (i) the Units may be offered and sold by the Scheme to Eligible U.S. Persons (see “Eligible U.S. Person” below) in reliance upon the exemption from the registration requirements of the 1933 Act provided in Rule 506 under the 1933 Act and (ii) once issued, Units may be transferred or sold to U.S. Persons, subject to the limitations set forth in “Transfer Restrictions” below, in transactions that are exempt from the registration requirements of the 1933 Act and applicable state and other securities laws.

### **B. Investment Company Act of 1940**

The Scheme is not registered under the Investment Company Act in reliance on the Section 3(c)(1) exemption from the registration requirements of the Investment Company Act.

### **C. Investment Advisers Act of 1940**

Neither the Investment Manager nor any of its subsidiaries is currently registered, or plans to be registered, under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). While the Investment Manager expects by its nature to qualify as an “exempt reporting adviser,” however, it may, be required to become registered under the Advisers Act as an investment adviser in the future. At such time, a copy of Part 2 of its SEC Form ADV, which constitutes its regulatory disclosure brochure, will be made available as required. The additional regulatory requirements may be costly and / or burdensome to the Investment Manager or its affiliates and could result in the imposition of restrictions and limitations on the operations of the Scheme and / or the disclosure of information to United States regulatory authorities regarding the operations of the Scheme (regardless of whether the Investment Manager or its affiliates are required to be registered as an investment adviser).

### **D. Eligible U.S. Person**

For purposes of this document, an “Eligible U.S. Person” is a U.S. Person as defined in Regulation S under the 1933 Act (see ‘Definition of U.S. Person’ below) that is an “accredited investor” within the meaning of Rule 501(a) under the 1933 Act.

### **E. Transfer Restrictions**

The Units may not be offered, sold, transferred, or delivered, directly or indirectly, in the United States or to, or for the account of, any U.S. Person except, with the consent of the Investment Manager, in a transaction exempt from the registration requirements of the 1933 Act and applicable state and other securities or blue sky laws. Any such consent may be granted or withheld in the sole discretion of the Investment Manager.

The Units may not be offered, sold, transferred, or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons unless:

- (i) such offer, sale, transfer or delivery is duly registered under the 1933 Act and any applicable state securities or blue sky laws, or the transferor provides the Scheme with an opinion of counsel, satisfactory in form and substance to the Scheme, to the effect that such offer, sale, transfer or delivery is exempt from the registration requirements of the 1933 Act and any applicable state securities or blue sky laws

- (ii) the transferee represents to the Scheme that it is an Eligible U.S. Person and provides the Scheme with an opinion of counsel, satisfactory in form and substance to the Scheme, to the effect that the transferee will, for purposes of determining whether the Fund may rely on the exemption from 1940 Act registration under Section 3(c)(1) of the 1940 Act, be counted as not more than one beneficial owner of the Units; and
- (iii) the transferee undertakes to comply with these restrictions in respect of any further transfers of the Units.

The Scheme has no obligation to register the Units under the 1933 Act or any state securities or blue sky laws or to assist any investor in effecting any such registration. As a result, U.S. Persons that invest in Units may have to bear the economic risk of an investment in the Units for an indefinite period of time. Any certificate or any other document evidencing Units issued to U.S. Persons will bear a legend stating that the Units have not been registered or qualified under the 1933 Act and any applicable state securities or blue sky laws and that the Scheme is not registered under the Investment Company Act and referring to the foregoing restrictions on transfer and sale.

There is no public market in the United States for the Units and none is expected to develop.

#### **F. Definition of U.S. Person**

In this Memorandum “U.S. Person” has the meaning assigned to it in Regulation S under the 1933 Act, and includes:

- (i) any natural person resident in the United States;
- (ii) any partnership or corporation organised or incorporated under the laws of the United States;
- (iii) any estate of which any executor or administrator is a U.S. Person;
- (iv) any trust of which any trustee is a U.S. Person;
- (v) any agency or branch of a non-U.S. entity located in the United States;
- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or, if an individual, resident in the United States; or
- (viii) any partnership or corporation if:
  - organised or incorporated under the laws of any non-U.S. jurisdiction; and
  - formed by a U.S. Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by “accredited investors” (as defined in Rule 501(a) under the 1933 Act) who are not natural persons, estates or trusts.

Notwithstanding the foregoing “U.S. Person” does not include:

- a) a discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or, if an individual, resident in the United States;
- b) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person if:
  - (i) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate; and
  - (ii) the estate is governed by non-U.S. law;
- c) any trust of which any professional fiduciary acting as trustee is a U.S. Person, if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- e) any agency or branch of a U.S. Person located outside the United States if:
  - (i) the agency or branch operates for valid business reasons; and

- (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; or
- f) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans.

#### **G. “Bad Actor” Disqualifications**

In 2013, the SEC adopted amendments to the private placement exemption in Rule 506 under Regulation D of the Securities Act (“**Rule 506**”) that disqualify an issuer (such as the Company) from relying on the Rule 506 exemption if any of its “Covered Persons” commits a “bad act”<sup>4</sup> (a “**Disqualified Person**”). “Covered Persons” include the Fund; any affiliated fund; any director, executive officer or other officer participating in the offering, any beneficial owner of 20% or more of the Fund’s outstanding voting equity securities (a “**Covered Investor**”); any investment manager of an issuer that is a pooled investment fund; any paid solicitor; the general partner or managing member, or a participating officer or director, of the Fund, an affiliated fund or an investment manager of any of them, or of a solicitor.

The bad acts that could result in the Rule 506 exemption being unavailable to an issuer are not limited to acts that the Fund or its Investment Advisor can control or prevent. Covered Persons include issuers (for example, a Covered Investor), and persons affiliated with issuers, other than the Fund or funds managed by the Investment Advisor. Any bad acts committed by certain of those issuers and/or their Covered Persons could cause the Fund (if and to the extent the Fund relies on the Rule 506 exemption) to be disqualified and lose its ability to rely on the Rule 506 exemption. If any affiliated fund were to lose the ability to continue to rely on the Rule 506 exemption, it could have a devastating effect on its and consequently the Fund’s business.

Rule 506 creates a reasonable care exception that would apply if an issuer could establish that it did not know and, in the exercise of reasonable care, could not have known that a disqualification existed because of a bad act by a Covered Person. In order to rely on the reasonable care exception, a factual inquiry must be conducted based on various factors relevant to an issuer and any Covered Persons. To establish reasonable care, the Fund and/or the Investment Advisor intend to conduct due diligence on Covered Persons, and may, among other procedures, require Covered Persons (including Covered Investors) to provide information to the Fund concerning bad acts that occurred prior to September 23, 2013, and to notify the Fund of future bad acts and of becoming a Disqualified Person. There is no guarantee that these procedures will successfully detect bad actors or that they will be deemed to satisfy reasonable care standards.

#### **H. Purchase of “New Issues”**

From time to time, the Scheme may purchase securities which are considered to be “new issues.” The sale and purchase of “new issues” of securities is regulated by FINRA Rule 5130 (“**Rule 5130**”) and FINRA Rule 5131 (“**Rule 5131**”). Rule 5130 and Rule 5131 each applies to “new issues” which are any equity securities offered in an initial public offering.

Under Rule 5130, with certain exceptions, a FINRA member may not sell a “new issue” to an account in which a “restricted person” (persons associated with FINRA members and certain other persons) has a beneficial interest. Rule 5130 also contains an exception under which a collective investment account, like the Scheme, which is owned in part

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<sup>4</sup> Examples of “bad acts” that would disqualify a Covered Person include: “(i) U.S. criminal convictions, U.S. court injunctions or restraining orders in connection with the purchase or sale of a security, or making of a false filing with the SEC; (ii) final orders from certain U.S. regulators (including the CFTC) that bar the issuer from associating with a U.S. regulated entity or engaging in the business of securities, or are based on fraudulent, manipulative, or deceptive conduct; (iii) certain SEC disciplinary orders relating to brokers, dealers, investment companies, and investment advisers and their associated persons; (iv) SEC cease-and-desist orders related to violations of certain anti-fraud provisions and U.S. registration requirements of the federal securities laws; and (v) suspension or expulsion from membership in a self-regulatory organization (SRO) or from association with an SRO member.”

by restricted persons, would be able to purchase “new issues” provided that only a de minimus percentage of the purchase was attributed to such persons (the “**De Minimus Exception**”). Despite the De Minimus Exception, the Investment Manager, in its sole discretion, may decide that the Scheme will not allocate “new issues” to any such restricted person.

In addition to Rule 5130, the Scheme must also determine if any investors are prohibited from participating in new issues pursuant to Rule 5131(b). The anti-“spinning” provisions of Rule 5131 generally prohibit a FINRA member from allocating “new issues” to an executive officer or director, where, among other things, such FINRA member performs or is expected to perform investment banking services for any such company.

To the extent that any portion of the Scheme’s investment is attributable to a Investor who may not participate in “new issues” or whom the Investment Manager decides will not participate in “new issues”, the Scheme will not allocate “new issues” to such Investor. Investors who are restricted persons will not be permitted to participate in those investments except to the extent that the Investment Manager determines to avail the Scheme of the terms of the limited exception described above to the extent available. Consequently, if the Scheme invests in “new issue” securities, the Investment Manager will separately allocate those investments only to those Investors who have indicated they are not restricted persons or to restricted persons to the limited extent permitted as described above.

To assist the Investment Manager in complying with the new issues rules, each Investor subscribing for Units must provide information demonstrating whether such Investor is a restricted person or is otherwise not permitted to participate in “new issues.” Restricted Persons should be aware that they may be deemed to have violated the new issues rules if they improperly participate in a “new issue.” Because of the administrative burden associated with the determination of whether each Investor is eligible to participate in “new issues” and the need to specially allocate new issue profits, if any, the Investment Manager may, in its sole discretion, (i) decline to cause the Scheme to participate in “new issues;” (ii) decline to permit restricted persons to participate in “new issues;” or (iii) treat any Investor as a restricted person.

**THE ABOVE IS ONLY A BRIEF AND GENERAL SUMMARY OF VARIOUS LEGAL AND REGULATORY CONSIDERATIONS AND CONSEQUENCES. INVESTORS ARE URGED TO CONSULT THEIR OWN ADVISORS IN THIS REGARD.**

## 9. TAXATION

THE INFORMATION FURNISHED BELOW OUTLINES BRIEFLY THE KEY TAX IMPLICATIONS APPLICABLE TO THE FUND AND TO THE CONTRIBUTORS OF THE FUND AND BASED ON THE RELEVANT PROVISIONS OF THE INCOME-TAX ACT, 2025 (THE ITA), THE INCOME TAX RULES, 2026 (THE RULES) AND VARIOUS CIRCULARS AND NOTIFICATIONS ISSUED THEREUNDER FROM TIME TO TIME. IN VIEW OF THE PARTICULARIZED NATURE OF TAX CONSEQUENCES, EACH CONTRIBUTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES ARISING DUE TO INVESTMENT IN THE FUND. THE TRUSTEE, AND THEIR ADVISERS ACCEPT NO RESPONSIBILITY FOR ANY LOSS SUFFERED BY ANY CONTRIBUTOR AS A RESULT OF CURRENT TAXATION LAW AND PRACTICE OR ANY CHANGES THERETO. THIS SUMMARY DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF ALL RELEVANT TAX CONSIDERATIONS, NOR DOES IT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL POTENTIAL RISKS INHERENT IN PURCHASING OR HOLDING INTERESTS IN THE FUND. THE CONTRIBUTORS MUST CONSULT THEIR OWN TAX ADVISORS IN THIS REGARD. THE CONCLUSIONS SUMMARIZED HEREIN COULD BE ADVERSELY AFFECTED IF ANY OF THE MATERIAL FACTUAL REPRESENTATIONS ON WHICH THEY ARE BASED SHOULD PROVE TO BE INACCURATE. THE SUMMARY IS BASED ON LAWS, REGULATIONS, RULINGS, JUDICIAL DECISIONS NOW IN EFFECT AND CURRENT ADMINISTRATIVE RULES, PRACTICES AND INTERPRETATIONS, ALL OF WHICH ARE SUBJECT TO CHANGE, WITH POSSIBLE RETROSPECTIVE EFFECT. IT IS THE RESPONSIBILITY OF ALL CONTRIBUTORS TO INFORM THEMSELVES AS TO ANY INCOME-TAX OR OTHER TAX CONSEQUENCES, WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE UNITS.

THE INCOME TAX ACT, 1961 AND THE INCOME TAX RULES, 1962 HAVE BEEN REPLACED WITH THE INCOME TAX ACT, 2025 AND INCOME TAX RULES, 2026 RESPECTIVELY WITH EFFECT FROM 1 APRIL 2026.

THE CBDT CIRCULARS/ NOTIFICATIONS ISSUED UNDER THE INCOME-TAX ACT, 1961 ('THE OLD ACT'), AND REFERENCED IN THE FOLLOWING PARAGRAPHS, ARE NOT INCONSISTENT WITH THE CORRESPONDING PROVISIONS OF THE ITA. ACCORDINGLY, IN TERMS OF SECTION 536(3)(J) OF THE ITA, ALL SUCH CIRCULARS/ NOTIFICATIONS SHALL CONTINUE TO REMAIN IN FORCE.

Please note that for the purpose of this Section, "Tax Considerations", the terms "beneficiaries" and "Contributors" have been used interchangeably.

The rates mentioned below are as per the provisions of the Finance Act, 2026 and are **exclusive** (unless specifically stated) of surcharge and Health and Education Cess, as may be applicable.

### ***Taxation at the Trust level***

The Fund has been registered as an Alternative Investment Fund (AIF) under SEBI (Alternative Investment Funds) Regulations, 2012. AIF registered with SEBI under Category III are not accorded a 'pass through' status under Schedule V(1) of the ITA and the Fund being an irrevocable trust under the provisions of the ITA, the Fund will be taxed in India with respect to its taxable income as per the provisions of the ITA.

Since the Fund has been set up as a trust, the Trustee would be assessed as a 'representative assessee' under the provisions of section 304 to 307 of the ITA.

If the Trust is regarded as a determinate trust, then the tax officer can choose to levy tax on either the beneficiaries or the trustee.

As the beneficiaries are not named in the Trust Deed with their respective shares as on the date of the Trust Deed, as per the provisions of section 307 of the ITA, the Trust will be regarded as a discretionary trust and not a determinate trust.

Once the tax has been paid by the Trustee in its representative capacity, the beneficiaries cannot be taxed once again as the same income cannot be taxed twice.

Since the Fund may follow twin investment strategy, viz. Investment Strategy and Trading Strategy, the manner of taxation of income under each strategy has been dealt with separately herein below:

(j) Investment Strategy

With respect to the portfolio representing the Investment Strategy, the Fund will purchase securities with the intention to hold them for reasonably long duration. Accordingly, the income under the Investment Strategy ought to be characterised as capital gain and taxable under the head “Capital gains”. Further, CBDT vide its Circular No. 6 of 2016 dated February 29, 2016 has instructed the Assessing Officers that in respect of listed shares and securities held for a period of more than 12 months immediately preceding the date of its transfer, if the assessee desires to treat the income arising from the transfer thereof as capital gains, the same shall not be put to dispute by the Assessing Officer. Further, such instruction does not cover listed shares and securities held for a period of upto 12 months immediately preceding the date of its transfer. Therefore, treatment of income arising from listed shares and securities held for a period of upto 12 months as Short term capital gains, may potentially be questioned / disputed by the Assessing officer. In such an event, the income may become subject to Maximum Marginal Rate of tax.

To have consistent view in assessment and to avoid dispute/litigation pertaining to income arising from transfer of unlisted shares for which no formal market exist for trading, the CBDT vide its letter F.No.225/12/2016/ITA.II, dated May 02, 2016 has clarified that the income arising from transfer of unlisted shares would be considered under the head “Capital gain” irrespective of holding. The above, however, would not apply where;

- the genuineness of transactions in unlisted shares itself is questionable; or
- the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or
- the transfer of unlisted shares is made along with the control and management of underlying business and the Assessing Officer would take appropriate view in such situations.

In accordance with the provisions of section 307 of the ITA, the income will be taxable at the maximum marginal rate. A better view seems to be that the maximum marginal rate in case of income chargeable under the head “Capital gains” will be the rate applicable to taxation of income under the head “Capital gains”.

The tax rates in case of Capital Gains are tabulated below:

|  | <b>Short-term capital gain#</b> | <b>Long-term capital gain*</b> |
|--|---------------------------------|--------------------------------|
|--|---------------------------------|--------------------------------|

|  |                                    |  |
|--|------------------------------------|--|
| Listed equity shares/Units of an equity Oriented Scheme                | 20% where STT is paid <sup>-</sup> | 12.5% where STT is paid <sup>-</sup><br>and amount of capital gains exceeds INR 1,25,000 in a financial year |
| Units of a non-equity oriented scheme other than specified mutual fund | 30%                                | 12.5%  |
| Units of Specified Mutual Fund <sup>1</sup>                            | 30%                                | NA <sup>&amp;</sup>  |
| Listed debentures  | 30%                                | 12.5%  |
| Unlisted debentures/Bonds/Market Linked Debentures <sup>2</sup>        | 30%                                | NA <sup>&amp;</sup>  |
| Unlisted equity shares   | 30%                                | 12.5%  |

<sup>\*</sup>Listed equity shares/ units of equity oriented scheme / listed debentures held for a period of more than 12 months, unlisted equity shares, units of a non-equity oriented scheme other than specified mutual fund held for a period of more than 24 months

<sup>&</sup>Capital gains from transfer of units of specified mutual fund schemes, acquired on or after 1st April, 2023, marked linked debentures and unlisted bonds / debentures are treated as short-term capital gains taxable at applicable rates irrespective of period of holding of such instruments.

<sup>1</sup> "Specified Mutual Fund" for this purpose:

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 such mutual fund subject to the following:-

(i) the percentage of investment in debt and money market instruments or in units of a fund, as the case may be, in respect of the Specified Mutual Fund, shall be computed with reference to the annual average of the daily closing figures:

(ii) 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.

<sup>2</sup>"Market Linked Debenture" is defined to mean 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.

<sup>-</sup>Read with Notification no. [F. No. 43/2017/F. No. 370142/09/2017-TPL] dated 5<sup>th</sup> June 2017 issued by the Ministry of Finance.

#### (b) Trading Strategy

With respect to the portfolio representing the Trading Strategy, the Fund may have sizeable frequency and volume of securities transactions, including transactions in derivatives, wherein the intention to purchase such securities will be to trade in such securities and not to hold them for long duration. Accordingly, the income of the Fund arising from the Trading Strategy will be taxable under the head "Profits & gains of business or profession".

In accordance with the provisions of section 307 of the ITA, such income of the Fund under the Trading Strategy will be taxable at the maximum marginal rate.

The new tax regime is the default tax regime from FY 2023-24 onwards. Accordingly, tax will be computed as per section 202 where the assessee has not opted out of the new tax regime.

The assessee who has income under the head Profits & Gains from Business or Profession and who has exercised the option to opt out of default tax regime shall be able to opt back the default tax regime only once. Thereafter, the assessee shall never be eligible to exercise the option under this subsection, except where assessee ceases to have any income from business or profession.

*Taxation on Dividend income*

Dividend income and other taxable income of the Scheme will be taxed at 30%.

*Buyback of Equity Shares*

With effect from 1 April 2026, amount received by the investors (other than promoters as defined under the ITA) on account of buy back of shares shall be chargeable to tax under the head “Capital gains”.

*Surcharge rate applicable to Fund for FY 2026-27:*

| <b>Nature of Income</b>   | <b>Applicable rate of Surcharge (Old tax regime)</b> | <b>Applicable rate of Surcharge (New tax regime)</b> |
|---|--|--|
| Capital Gains on Listed Equity Shares of companies & units of Equity Oriented Schemes as per section 196 and 198 of the ITA   | 15%  | 15%  |
| Long Term Capital Gains on other than Listed Equity Shares & units of Equity Oriented Schemes (As per section 197 of the ITA) | 15%  | 15%  |
| Short Term capital gain (Other than section 196 of the ITA)   | 37%  | 25%  |
| Other Income  | 37%  | 25%  |
| Dividend Income   | 15%  | 15%  |
| Income from Trading Strategy  | 37%  | 25%  |

*Health and Education Cess*

The Health and Education cess rate applicable to the Fund is 4% (four percent) of the total income-tax plus surcharge, as applicable.

*Securities Transaction Tax (“STT”)*

In respect of transactions of the Fund in respect of securities, the Fund will be liable to pay applicable STT.

**Taxation of the Investors**

*Taxation on Distribution of Income by the Fund / Redemption of Units*

The Trustee of the Fund will discharge the tax on the income earned by the Fund from the Contribution Fund in its representative capacity. Once the tax has already been discharged by the Trustee, there ought not to be any further tax payable on the post-tax income distributed to the beneficiaries by the Trustee.

This is, however, subject to the provisions of minimum alternate tax (MAT) contained in section 206 of the IT Act as may be applicable to corporate beneficiaries. However, corporate beneficiaries who opt to be governed by the new tax regime (section 200 and 205/201 and 205 of the IT Act) will not be liable to MAT.

#### *Secondary Transfer of Units*

Gains arising on transfer of units could be subjected to a tax and investors are urged to consult their own tax advisors with respect to their tax liability in respect thereof.

#### **Goods and Service Tax ("GST")**

GST at the rate of 18% would be levied on the Management Fee, Performance Fees and Trusteeship Fees payable by the Fund to the Investment Manager / Trustee, respectively. Further, GST at applicable rates would also be levied on the other services received by Fund.

It is customary that the GST and applicable cesses are passed on to the service recipient, which would be the Fund in this case.

In case there is any GST liability on the Fund in the future on account of the Fund being treated as a service provider to the investors, then such GST on the taxable consideration will be recoverable from each unit holder basis their respective share, net of input tax credit (if any availed).

#### *General Anti-Avoidance Rules*

The General Anti Avoidance Rules ('GAAR') regime as introduced in the ITA is applicable from financial year 2017-2018. GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements.

Rule 128 of the Income Tax Rules, 2026 has been amended vide Notification G.S.R. 241(E) [NO. 55/2026/F. NO. 370142/15/2026-TPL], dated 31st March 2026, to provide that GAAR will not be applicable to income which accrues, arises, or deemed to accrue or arise, or received or deemed to be received by any person from transfer of investments which were made before April 1, 2017.

A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the four tests mentioned below:

- (a) Creates rights or obligations which are ordinarily not created between parties dealing at arm's length;
- (b) It results in directly / indirectly misuse or abuse of the ITA;
- (c) It lacks commercial substance or is deemed to lack commercial substance in whole or in part; or
- (d) It is entered into or carried out in a manner, which is not normally employed for bona fide business purposes.

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

- (a) Disregarding or combining or re-characterising any step of the arrangement or party to the arrangement;
- (b) Ignoring the arrangement for the purpose of taxation law;

- (c) Deeming persons who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount
- (d) Relocating place of residence of a party, or location of a transaction or sites of an asset to a place other than provided in the arrangement;
- (e) Looking through the arrangement by disregarding any corporate structure; or
- (f) Re-characterising equity into debt, capital into revenue, etc.

The above terms should be read in the context of the definitions provided under the ITA. Further, in case the GAAR provisions are invoked then *inter alia* the Double Taxation Avoidance Agreement ('DTAA') entitlement could be denied.

Further, the ITA provides that an arrangement shall be presumed, unless it is proved to the contrary by the assessee, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

Also, any resident or non-resident may approach the Authority for Advance Rulings to determine whether an arrangement can be regarded as an impermissible avoidance arrangement. The Central Government has constituted Boards for advance Rulings for giving advance ruling with effect from 1<sup>st</sup> September, 2021.

THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION OF THE FUND AND TAXATION OF CONTRIBUTORS OF THE FUND WOULD BE NECESSARILY ACCEPTED BY THE INCOME-TAX AUTHORITIES UNDER THE ITA. NO REPRESENTATION IS MADE EITHER BY THE TRUSTEE OF THE FUND OR THE INVESTMENT MANAGER OR ANY EMPLOYEE, DIRECTOR, SHAREHOLDER OR AGENT OF THE INVESTMENT MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION OF THE FUND AND TAXATION OF THE CONTRIBUTORS OF THE FUND BY THE INCOME TAX AUTHORITIES UNDER THE ITA. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS IN THIS REGARD.

**UNITED STATES OF AMERICA TAX CONSIDERATIONS**

Except as specifically set forth below, the following discussion is a summary of certain U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of Units by an investor that is (i) an individual citizen or resident of the United States, (ii) a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state (including the District of Columbia), (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust (a) if a United States court is able to exercise primary supervision over the administration thereof and if one or more "United States persons" (as defined in the Code) has the authority to control all substantial decisions thereof or (b) that has in effect a valid election under applicable Regulations to be treated as a United States person (each such investor, a "**U.S. Person**"). The discussion does not take into account any considerations that may relate to special classes of taxpayers, including, among others, dealers in securities (or other persons not holding Units as capital assets or that have elected mark-to-market treatment), investors receiving Units as compensation, banks or other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, S corporations, investors that are subject to the alternative minimum tax, investors that hold, directly or indirectly, a ten percent (10%) or greater interest in any entity in which the Scheme holds a direct or indirect interest, investors whose functional currency is not the U.S. dollar, investors who hold Units as part of a straddle, hedge, conversion or other integrated transaction, investors classified as partnerships or other pass-through entities for U.S. federal income tax purposes (or persons holding indirect interests in the Scheme through such investors), other than as set forth below, non-U.S. investors (including, without limitation, non-U.S. investors subject to tax as U.S. expatriates and non-U.S. investors holding Units in connection with a U.S. trade or business), governments or agencies or instrumentalities thereof, or, except as expressly discussed below, tax-exempt entities. This discussion also does not take into account any considerations that may be relevant to investors acquiring Units other than pursuant to the offering described in this Memorandum.

The discussion below is based on the Code, judicial decisions and administrative regulations, rulings, and procedures,

all of which are subject to change, possibly with retroactive effect. The Scheme has not applied for or obtained a ruling from the IRS as to any tax matters, nor has it obtained any opinions of counsel with respect to any federal tax issue, including whether it will be classified as a partnership for federal income tax purposes.

The Scheme will furnish each Investor with necessary information for inclusion in their U.S. federal income tax returns. It will be each Investor's responsibility to prepare and file all appropriate tax returns which it may be required to file as a result of its participation in the Scheme. The Investment Manager and the Scheme assume no responsibility for the tax consequences of an Investor's investment, or for the disallowance, either partially or entirely, of any proposed deductions.

*The discussion below is not intended to constitute tax advice, or to be a complete description of the tax effects of investing in the Scheme. It is provided solely as a partial illustration of certain tax matters and issues that may arise as a result of an investment in the Scheme. No attempt has been made to ensure that all applicable interpretations or applicable provisions are described herein, or to provide any evaluation of the likelihood or effect of any of the concerns described below. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular Investor in light of its personal investment circumstances or to certain types of Investors subject to special treatment under the Code. This summary also does not discuss any aspects of state, local or foreign tax laws that may be applicable to an Investor. Accordingly, a prospective Investor is urged to consult its own tax advisor regarding an investment in the Scheme.*

#### *Tax Status of Scheme*

An election will be made to classify the Scheme as a partnership for U.S. federal income tax purposes. Since the Scheme is organized as a trust but will affirmatively elect to be treated as a partnership, then subject to the discussion of "publicly traded partnerships" set forth below, the Scheme should be treated as a partnership for U.S. federal income tax purposes. Moreover, the Scheme is expected to be classified as a partnership for U.S. federal tax purposes that is separate from other schemes of the Fund. However, no assurance is given that the IRS or any state or local taxing authority will agree with such treatment and not treat the Fund, together with each of its schemes (including the Scheme), as a single taxable entity.

An entity that would otherwise be classified as a partnership for federal income tax purposes will nonetheless be classified as an association taxable as a corporation if it is a "publicly traded partnership". A publicly traded partnership is any partnership in which the interests are traded on an established securities market or which are readily tradable on a secondary market (or the substantial equivalent thereof). Units in the Scheme will not be traded on an established securities market. Regulations concerning the classification of partnerships as publicly traded partnerships (the "**Section 7704 Regulations**") provide certain safe harbors under which interests in a partnership will not be considered readily tradable on a secondary market (or the substantial equivalent thereof). The Scheme may not be eligible for any of those safe harbors. In particular, it will not qualify under the private placement safe harbor set forth in the Section 7704 Regulations if the Scheme has more than 100 partners.

The Scheme believes, however, that even if it does not qualify for any of the safe harbors outlined in the Section 7704 Regulations, the Units should not be treated as being readily tradable on a secondary market (or the substantial equivalent thereof) based on the anticipated operations of the Scheme and the text of the Section 7704 Regulations and, therefore, the Scheme will not be treated as a publicly traded partnership taxable as a corporation. If Units are treated as readily tradable on a secondary market (or the substantial equivalent thereof), the Scheme may in any event be exempt from classification as a publicly traded partnership taxable as a corporation under an exemption that would apply if 90% or more of its gross income consists of passive type "qualifying income" within the meaning of Section 7704(d) of the Code and the Treasury Regulations promulgated thereunder.

If it were determined that the Scheme should be treated as an association or a publicly traded partnership taxable as a corporation for federal income tax purposes, the Scheme would be subject to regular U.S. federal corporate income tax, plus a potential 30% branch profits tax, on its income (if any) effectively connected with a U.S. trade or business, any distributions to Investors would be taxable as dividends to the extent of the earnings and profits of the Scheme,

and Investors would not be entitled to report profits or losses realized by the Scheme. In addition, the Scheme could be classified as a “controlled foreign corporation” and would be classified as a PFIC, which could result in adverse tax consequences to the Investors, including in the case of a PFIC, the imposition of an interest charge on certain amounts treated as having been deferred by the Investors.

An organization that is classified as a partnership for federal income tax purposes is not subject to federal income tax itself, although it must file an annual information return. Investors are required to report on their U.S. federal income tax returns their distributive shares of each item of the Scheme’s income, gain, loss and deduction for each taxable year of the Scheme ending with or within the Investor’s taxable year. To the extent capital gain or loss is recognized by an Investor on a distribution or redemption, then the capital gain or loss recognized will be short-term or long-term depending on the Investor’s holding period or may be divided between long-term and short-term capital gain or loss in accordance with the split holding period rules in Treasury Regulation Section 1.1223-3 (See “Sale or Taxable Exchange of Units” below). See “Taxation of Investors on Profits and Losses” below.

The remainder of this discussion assumes that the Scheme will be classified as a partnership for U.S. federal income tax purposes.

#### *Taxation of Investors on Profits and Losses*

The Scheme, (assuming that it is treated as a partnership for federal income tax purposes) is a “pass-through” entity, and is not subject to any U.S. federal income tax. As a result, each Investor, in computing its own U.S. federal income tax liability for a taxable year, is required to take into account its allocable share of all items of realized income, gain, loss, deduction or credit from the Scheme, ending within or with the Investor’s taxable year, regardless of whether such Investor has received any distributions from the Scheme. Thus, an Investor’s U.S. federal income tax liability in a particular year may exceed the amount of cash actually received by it. The character of an item of income or loss (e.g., as capital gain or ordinary income) usually is the same for the Investors as for the Scheme.

The amount of any Scheme loss (including capital loss) allocated to an Investor is includible on its personal income tax return subject to various limitations discussed below. As a result of these limitations, an Investor may not be able to deduct fully its distributive share of Scheme losses in the year such losses are incurred.

#### *Adjusted Tax Basis of Units*

An Investor may not deduct its allocable share of the Scheme’s losses to the extent it exceeds the amount of its adjusted tax basis in its Units. An Investor’s adjusted tax basis in its Units also determines the amount of gain or loss on a sale or other disposition of its Units. Generally, the adjusted tax basis of an Investor in its Units equals the amount paid by an Investor for its Units reduced (but not below zero) by the Investor’s allocable share of cash distributions from the Scheme, the Investor’s share of any reduction in the Scheme’s indebtedness, the Investor’s share of the Scheme’s losses and non-deductible expenses not chargeable to the capital account and increased by its share of taxable Scheme income and Scheme indebtedness.

#### *Cash Distributions and Redemption of Units*

The amount of cash distributions from the Scheme generally will not be equivalent to the amount of Scheme income as determined for U.S. federal income tax purposes. Cash distributions will not be reported as taxable income by an Investor for U.S. federal income tax purposes, but will reduce (but not below zero) the adjusted tax basis of such Investor in its Units. Any cash distribution in excess of a Investor’s adjusted tax basis will be taxable as a gain from a sale or exchange of its Units and generally will be treated as a sale of a capital asset. An Investor will recognize a loss only to the extent of the excess of its adjusted tax basis over the amount of cash distributions received following the complete redemption of its Units. A complete redemption of an Investor’s interest in the Scheme will generally be treated as if the Investor sold his interest in the Scheme. See also “Sale or Taxable Exchange of Units.”

#### *Distributions of Property*

A partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Scheme will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if an Investor is an "eligible partner", which term should include an Investor whose contributions to the Scheme consisted solely of cash, the rule treating a distribution of property as a distribution of cash would not apply.

#### *Sale or Taxable Exchange of Units*

Upon the sale or taxable exchange of Units or a complete redemption of Units, a selling or redeemed Investor generally will recognize capital gain or loss measured by the difference between the consideration received and the adjusted tax basis of the Units sold (adjusted for the Investor's allocable share of Scheme income, gain, loss or deduction attributable to such Units for the portion of the year such Units are owned by the Investor). To the extent capital gain or loss is recognized by an Investor on a sale or redemption (or, as discussed in "Cash Distributions and Redemption of Units" above, upon certain Contributor distributions), then the capital gain or loss recognized will be long-term or short-term or will be divided between long-term and short-term capital gain or loss depending on the timing of the Investor's contribution or contributions to the Scheme. However, a selling or withdrawing Investor will recognize ordinary income to the extent such Investor's allocable share of the Scheme's "unrealized receivables" exceeds the Investor's basis in such unrealized receivables (as determined pursuant to the Treasury regulations).

#### *Capital Gain and Loss Provisions*

Currently, the tax rate for adjusted capital gains realized by non-corporate taxpayers for holding periods of greater than one year is a maximum of 20%. A non-corporate taxpayer can deduct up to \$3,000 (\$1,500 for married taxpayers filing separately) of net capital losses against ordinary income in any year. Excess capital losses which are not used to reduce ordinary income in a particular taxable year may be carried forward to, and treated as capital losses incurred in, future years. A corporate taxpayer can deduct capital losses only against capital gains, and any net capital loss can generally be carried back three years and carried forward five years.

#### *Qualifying Dividend Income*

Currently, the maximum tax rate for "qualified dividend income" is 20%. Qualified dividend income includes certain dividends received from domestic corporations and qualified foreign corporations. Subject to certain limitations, qualified foreign corporations include foreign corporations whose shares are listed on U.S. exchanges, those incorporated in a possession of the United States and foreign corporations eligible for benefits under a comprehensive income tax treaty identified by the IRS. A qualified foreign corporation does not include a PFIC.

In order for Investors to qualify for the lower tax rate with respect to dividends received by the Scheme, however, the Scheme must hold the shares of stock producing the dividend for at least 61 days during the 121-day period beginning on the date that is 60 days before the date such shares become ex-dividend. For preferred stock, the required periods are increased from 61 days to 91 days and from 121 days to 181 days (with such 181 day period beginning 90 days before the ex-dividend date) if the dividends are attributable to periods totaling more than 366 days; if the preferred dividends are attributable to periods totaling less than 367 days, the 60 day holding period discussed herein applies. A dividend is not qualified dividend income to the extent that the Scheme is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. To the extent the Scheme realizes dividend income, the Scheme will determine the amount of dividends that are treated as qualifying dividends and whether such dividend income is derived from domestic corporations or qualifying foreign corporations, and will report such amount to the Investors.

Notwithstanding the above, an Investor's allocable share of qualifying dividend income will not qualify for the reduced

rate to the extent such Investor elects to include such dividend income as investment income for purposes of the investment interest expense deduction discussed below. Investment interest expense is deductible to the extent of investment income. If such interest expense exceeds investment income, then it is not currently deductible but may be carried forward indefinitely. Moreover, an Investor's foreign tax credit may be limited to the extent it relates to qualified dividend income taxed at the reduced rates of tax. Therefore, prospective Investors are urged to consult their own tax advisor with respect to the effect of an investment in the Scheme on their own personal tax situation.

#### *Alternative Minimum Tax*

The Code provides a two-tier, graduated rate schedule for the alternative minimum tax applicable to non-corporate taxpayers. A taxpayer is liable for the alternative minimum tax in addition to, but only to the extent it exceeds, the taxpayer's regular tax. A taxpayer's alternative minimum taxable income is essentially its taxable income, as adjusted for certain items and increased by items of tax preference. The alternative minimum tax is not imposed on the Scheme, as such. Instead, each Investor takes into account its share of the Scheme's tax preference and other items for the purpose of computing its liability for the alternative minimum tax. Therefore, prospective Investors are urged to consult their own tax advisors with respect to the effect of an investment in the Scheme on their own alternative minimum tax situation.

#### *Medicare Contribution Tax*

A 3.8% Medicare contribution tax will generally apply to all or a portion of the net investment income of an Investor that is an individual, that is not a non-resident alien for federal income tax purposes, and that has adjusted gross income (subject to certain adjustments) that exceeds a threshold amount (\$250,000 if married filing jointly or if considered a "surviving spouse" for federal income tax purposes, \$125,000 if married filing separately, and \$200,000 in other cases). This 3.8% tax will also apply to all or a portion of the undistributed net investment income of certain Investors that are estates and trusts. For these purposes, an Investor's distributive share of income characterized as interest, dividend and capital gain income from the Scheme will generally be taken into account in computing such Investor's net investment income.

#### *Limitation on the Deduction of Certain Expenses*

All or a portion of the Scheme's expenses may be subject to the "2% floor" rule under Section 67 of the Code with respect to miscellaneous itemized deductions and thus may not be deductible by an individual Investor. Subject to certain enumerated exceptions, Section 67(a) of the Code provides that an individual taxpayer's miscellaneous itemized deductions, including the Management Fee and investment expenses (but not investment and other interest deductible under Section 163 of the Code) are deductible only to the extent they exceed 2% of the taxpayer's adjusted gross income. Regulations issued by the Treasury Department prohibit the indirect deduction through partnerships and other pass-through entities of amounts that would not be deductible if paid by the individual. Miscellaneous itemized deductions are deductions and expenses that are not deductible "above-the-line" by a taxpayer in carrying on a trade or business under Section 162 of the Code, but rather are expenses incurred for the production of income that are deductible under Section 212 of the Code. Thus, the limitation would apply to the Scheme's expenses if the Scheme were not considered to be engaged in a trade or business. In such case, each Investor's share of such expenses plus all of the Investor's other miscellaneous itemized deductions (such as personal investment advisory, legal and accounting fees) would be deductible only to the extent such amount exceeds 2% of the Investor's adjusted gross income.

An Investor will not be permitted to deduct syndication expenses, paid by such Investor or the Scheme. Any such amounts will be included in the Investor's adjusted tax basis of its interest.

In addition to the above, certain itemized deductions of an individual taxpayer (including any portion of the taxpayer's miscellaneous itemized deductions which exceeds the 2% floor, state and local income and property taxes, home mortgage interest, and charitable contributions) will be reduced by a percentage of the taxpayer's adjusted gross income in excess of certain thresholds.

### *Limitations on Deductions of Scheme Interest Expense*

The deduction by an Investor of its allocable share of interest expense of the Scheme, or of any interest expense of the Investor paid or accrued on indebtedness properly allocable to its interest, may be subject to the investment interest limitation rules of Section 163(d) of the Code. Section 163(d) of the Code limits an individual taxpayer's deduction of investment interest expense in any year to its net investment income from all investment activities (i.e., the excess of income from interest, dividends and gain from the disposition of investment property over expenses incurred in earning such income) for such year. Subject to certain elections, the Code generally excludes net capital gains attributable to the disposition of investment property from investment income for purposes of computing this investment interest deduction limitation. For this purpose, property held for investment includes property that produces income that would be "portfolio income" under the passive activity loss rules and any interest in a trade or business activity that is not a passive activity and in which the holder does not materially participate. Any item of income or expense taken into account under the passive activity loss limitation is excluded from investment income and expense for purposes of computing net investment income. The amount disallowed may be carried over to and deducted in subsequent years to the extent it would be deductible if incurred in that year. This limitation, if applicable, will be computed separately by each Investor and not by the Scheme.

### *Income and Losses from Passive Activities*

Section 469 of the Code significantly restricts the deductibility of losses incurred from business activities in which the taxpayer (limited to individuals, certain estates and trusts, personal service corporations or closely-held corporations) does not materially participate ("**passive activities**"). Such losses generally will be deductible only to the extent of income from other passive activities. Income and losses derived by a limited partner from a limited partnership are typically regarded as income and losses from a passive activity. However, portfolio income (such as dividends, interest, royalties and gains from the sale of property producing such income or held for investment) is not treated as income from a passive activity. Further, under temporary Treasury regulation section 1.469-1T(e)(6), an activity of trading personal property for the account of owners of an interest in the activity is not to be considered a passive activity. Therefore, a Investor's allocable share of the Scheme's income or gain should be treated as income not derived from a passive activity and may not be offset by passive losses which the Investor may have from other investments.

### *"At Risk" Limitations*

A Shareholder that is subject to the "at risk" limitations (generally, noncorporate taxpayers and closely held corporations) may not deduct losses of the Scheme to the extent that they exceed the amount such Shareholder has "at risk" with respect to its Units at the end of the year. The amount that a Shareholder has "at risk" will generally be the same as its adjusted-tax basis as described above, except that it will generally not include any amount attributable to liabilities of the Scheme, or any amount borrowed by the Shareholder, on a nonrecourse basis. Losses denied under the basis or "at risk" limitations will be suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

### *Tax Elections*

The Investment Manager may, in its sole and absolute discretion, make any or all elections on behalf of the Scheme and the Investors for federal, state and local tax purposes, including without limitation, an election pursuant to Section 754 of the Code.

### *Mandatory Basis Adjustment*

Unless the Scheme is eligible to make, and makes, an election to be subject to certain alternative rules, the Scheme is mandatorily required to make downward basis adjustments where the Scheme has a "substantial built-in loss." Unless the Scheme makes such an election, the Scheme must make downward basis adjustments following (i) a

transfer of a Unit if the Scheme's adjusted tax basis in its property exceeds the property's fair market value by more than \$250,000 at such time; or (ii) a transfer or liquidation of a Investor's Units if such Investor contributed property to the Scheme with a built-in loss and such transfer or liquidation occurs at a time when the Scheme holds property with more than a \$250,000 built-in loss. In addition, the Scheme may make such adjustments following any distribution of Scheme property to an Investor with respect to which there is a substantial basis reduction as would be required if a Code Section 754 election were in effect (e.g., a downward adjustment of more than \$250,000).

#### *Possible Tax Audits*

An audit of the Scheme's federal informational tax return may precipitate an audit of the Investors' federal income tax returns. Further, any such audit might result in adjustments by the IRS to items of non-Scheme income or loss. Any additional federal income tax due as a result of any such adjustment will bear interest (compounded daily) at rates established quarterly by the IRS equal to three percentage points above the federal short term rate determined in accordance with Section 1274(d) of the Code for the first month in the quarter (rounded to the nearest full percent).

The recently-enacted Bipartisan Budget Act of 2015 contains new partnership audit procedures under which the Scheme or the Investors may have potential tax liability in the event of an adjustment imposed as a result of a tax audit by the IRS (the "Budget Act"). For taxable years beginning on or after January 1, 2018, taxes (including interest and penalties) attributable to an audit resulting in an adjustment to any item of the Scheme's income, gain, loss, deduction or credit (or the allocation of such items among the Investors), may be assessed against the Scheme rather than at the Investor level, in the year of such adjustment. In that event, such taxes would be allocated among the Investors, and each Investor may be required to contribute to the Scheme the amount of such tax allocated to it. As a result, an Investor may bear liability for the adjustment in an amount that exceeds the taxes that the Investor (or its predecessor in interest) would have paid if the adjustment had been applied directly to the Investors. The IRS has been directed to provide procedures that may allow the Scheme to take into account certain applicable lower tax rates and the tax-exempt status of certain Investors when calculating taxes imposed at the Scheme level resulting from an audit adjustment. In addition, alternative elective procedures may allow the Scheme to avoid such entity-level U.S. federal income tax liability in some cases if certain conditions are satisfied. There can be no assurance that the Scheme will elect, or be eligible to elect, such alternative procedures for any particular adjustment. No guidance has yet been issued on the provisions of the Budget Act, and there is uncertainty regarding their interpretation and implementation. The Budget Act is complex and additional guidance is necessary for the Budget Act to be implemented. Prospective Investors should consult their own tax advisors regarding the application of the Budget Act to an investment in the Scheme.

#### *Foreign Taxes*

It is possible that certain dividends, interest and other income directly or indirectly received by the Scheme from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Scheme may also be subject to capital gains taxes in some of the foreign countries where it purchases and sells securities. Investors will generally be entitled to a foreign tax credit with respect to creditable foreign taxes paid on the income and gains of the Scheme. However, there are complex rules contained in the Code that may, depending on each Investor's circumstances, limit the availability or use of foreign tax credits. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of foreign tax the Scheme will pay since the amount of the Scheme's assets to be invested in various countries is not known. Tax exempt Investors will not ordinarily benefit from any credits or deductions generally granted by the United States in respect of foreign taxes.

#### *Currency Fluctuations – "Section 988" Gains and Losses*

To the extent that its investments are made in securities denominated in non-USD currency, gain or loss realized by the Scheme frequently will be affected by the fluctuation in the value of such non-USD currencies relative to the value of the U.S. dollar. Generally, gains or losses with respect to the Scheme's investments in common stock of non-U.S.

issuers will be taxed as capital gains or losses at the time of the disposition of such stock. However, under Section 988 of the Code, gains or losses of the Scheme on the acquisition and disposition of non-USD currency (i.e., the purchase of non-USD currency and subsequent use of the currency to acquire stock) will be treated as ordinary income or loss. Moreover, under Section 988, gains or losses on disposition of debt securities denominated in a non-USD currency that are attributable to the fluctuations of such currency between the date of acquisition of the debt security and the date of disposition will be treated as ordinary income or loss. Similarly, gains or losses attributable to fluctuations in exchange rates that occur between the time the Scheme accrues interest or other receivables or accrues expenses or other liabilities denominated in a non-USD currency and the time the Scheme actually collects such receivables or pays such liabilities may be treated as ordinary income or ordinary loss.

The Scheme may acquire currency forward contracts, enter into currency futures contracts and acquire put and call options on various currencies. Generally, foreign non-USD regulated futures contracts and option contracts that qualify as “**Section 1256 Contracts**” (see “Section 1256 Contracts” below), will not be subject to ordinary income or loss treatment under Section 988. However, if the Scheme acquires currency futures contracts or option contracts that are not Section 1256 Contracts, or any currency forward contracts, any gain or loss realized by the Scheme with respect to such instruments will be ordinary, unless (i) the contract is a capital asset in the hands of the Scheme and is not a part of a straddle transaction and (ii) the Scheme makes an election (by the close of the day the transaction is entered into) to treat the gain or loss attributable to such contract as capital gain or loss.

#### *Section 1256 Contracts*

In the case of Section 1256 Contracts, the Code generally applies a “mark to market” system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. A Section 1256 Contract includes certain regulated futures contracts, certain non-USD currency forward contracts, and certain options contracts. Under these rules, Section 1256 Contracts held by the Scheme at the end of each taxable year of the Scheme are treated for Federal income tax purposes as if they were sold by the Scheme for their fair market value on the last business day of such taxable year. The net gain or loss, if any, resulting from such deemed sales (known as “**marking to market**”), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Scheme in computing its taxable income for such year. If a Section 1256 Contract held by the Scheme at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the “mark to market” rules.

Capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. Such gains and losses will be taxed under the general rules described above. Gains and losses from certain non-USD currency transactions will be treated as ordinary income and losses. (See “Currency Fluctuations—Section 988’ Gains and Losses”). If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts.

#### *Mixed Straddle Election*

The Code allows a taxpayer to elect to offset gains and losses from positions that are part of a “mixed straddle.” A “mixed straddle” is any straddle in which one or more, but not all, positions are Section 1256 Contracts. Pursuant to temporary Treasury regulations, the Scheme may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily “marking to market” of all open positions in the account and a daily netting of gains and losses from positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for tax purposes. The application of the temporary Treasury regulations’ mixed straddle account rules is not entirely clear. Therefore, there is no assurance that a mixed straddle account election by the Scheme will be accepted by the IRS.

### *Wash Sales*

Section 1091 of the Code disallows any deduction for losses arising from the sale or other disposition of “shares of stock or securities”, where, within a period beginning 30 days before such sale or disposition and ending 30 days afterwards, the taxpayer acquires by purchase or by an exchange on which the entire amount of gain or loss is recognized “substantially identical” stock or securities. The disallowance also applies where, within the 61-day period, the taxpayer enters into a contract or option to acquire substantially identical stock or securities. In instances where this rule applies, appropriate adjustments are made to the basis of the stock, securities or options the acquisition of which resulted in application of the rule. Hence, if the Scheme were to effect a “wash sale” the Scheme would not be able to recognize any loss realized in connection with the sale.

### *Investments in Foreign Corporations*

PFIC or CFC rules under U.S. federal income tax law might apply (depending upon the particular facts) to an investment by the Fund, directly or indirectly, in foreign entities that are treated as corporations for U.S. federal income tax purposes. If any of such sets of rules were to apply to an investment by the Scheme, Investors that are U.S. taxpayers could be subject to U.S. federal income tax consequences that would increase the amount of or accelerate the timing of taxation with respect to their distributive share of income from the Scheme, or alter the character of such distributive share.

The Scheme may invest in a foreign corporation that is a PFIC. In such case, an Investor that is a U.S. taxpayer generally will be required to allocate its distributive share of any “excess distributions” (as defined in the PFIC rules) or gains from the disposition of PFIC stock to each day of such Investor’s holding period for its PFIC stock. The amount allocated to the current year will be included in such Investor’s gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the “deferred tax amount” (an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge, as though the amounts of tax were overdue).

Alternatively, if the foreign corporation provides certain tax information to the Scheme and the Investors, and certain other requirements are met, an Investor that is a U.S. taxpayer may be able to make a “QEF election” with respect to the foreign corporation, in which case the adverse tax consequences described above will not apply to the Investor. As a result of that election, however, an Investor that is a U.S. taxpayer will recognize income, subject to U.S. federal income tax, prior to the receipt by the Scheme of distributive proceeds attributable thereto. In order to make such election, among other things, the IRS would have to be supplied with an information statement provided by the PFIC. Alternatively, an election may be made in the case of certain “marketable stock” to “mark to market” the stock of a PFIC on an annual basis. Pursuant to such an election, an Investor that is a U.S. taxpayer would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. There can be no assurance that a company in which the Scheme invests will not qualify as a PFIC or that a PFIC in which the Scheme invests will provide the information necessary for a QEF election to be made or be eligible for a “mark to market” election. In general terms, a foreign corporation will be classified as a PFIC for a given taxable year if either (i) 75% or more of its gross income in such year is passive income or (ii) 50% or more of its assets in such year are held for the production of or produce passive income.

If the Scheme invests in a foreign corporation that is a CFC and an Investor that is a United States person owns, directly or by attribution, 10% or more of the voting stock of such foreign corporation, such Investor generally will be required to recognize as ordinary income, whether or not a corresponding distribution is made by the foreign corporation, its distributive share of the foreign corporation’s “Subpart F income” (as defined in the CFC rules), which includes, among other items, passive income and certain sales and service income, and the foreign corporation’s increase in earnings invested in US property for the year. In addition, all or a portion of the gain recognized upon the disposition of stock in the foreign corporation may be re-characterized as dividend income rather than capital gain. A foreign corporation will be a CFC if more than 50% of its stock (based on value or voting power) is owned, directly or

by attribution, by United States persons (as defined in section 7701(a)(30) of the Code) that each own at least 10% of the voting stock of the foreign corporation.

U.S. Investors that own stock in foreign corporations, including PFICs and CFCs, are generally subject to special reporting requirements under the Code. Potential Investors should consult their own tax advisors regarding such reporting requirements.

#### *Investment by ERISA and Other Tax-Exempt Entities*

Before investing in the Scheme, a tax-exempt investor should consider the special income tax rules applicable to it. The following discussion relates solely to the federal income tax consequences to an investor that is tax-exempt and does not address state or local income tax matters.

Tax exempt entities, including ERISA-type plans and charitable remainder trusts (“**Exempt Investors**”), may be subject to federal income tax with respect to any unrelated business taxable income (“**UBTI**”) (determined in accordance with Code Sections 511-514) and are required to file federal income tax returns if they have gross unrelated business income in excess of \$1,000, whether or not any tax is actually due. A tax-exempt entity is entitled to a \$1,000 deduction and to other specified deductions so long as these expenses are directly connected with the unrelated business income. A net operating loss deduction is also available under certain circumstances.

UBTI includes income derived from a trade or business carried on by a tax-exempt entity or by a partnership of which the entity is a member. Certain specified investment income (e.g., interest, dividends, rents from rental property, and gains on sale of assets held for investment) is generally not included in unrelated business income. Furthermore, under Section 512(b)(5) of the Code, the term “unrelated business taxable income” does not include gains realized on the expiration or termination of options (assuming such options are not considered property includible in inventory or are held primarily for sale to third parties) to buy or sell securities when the options have been written in connection with the tax-exempt entity’s investment activities. Under the Code, any gain or income earned from “debt financed” property is treated as income from an unrelated business, even if the income otherwise would have been excluded. The Scheme may incur debt in connection with the purchase of securities. Further, if an Exempt Investor incurs a debt in connection with the acquisition of its Units, the income such Exempt Investor derives from the Scheme will be unrelated business income. Accordingly, an investment in the Scheme may result in some unrelated business taxable income for an Exempt Investor and any Exempt Investors are urged to consult their own tax advisor.

The Scheme may lend its securities and engage in short sales. These transactions will effectively provide the Scheme with leverage, in that the Scheme will be able to acquire additional securities using cash collateral that the Scheme does not own. Nevertheless, securities loans and short sales by a tax-exempt organization ordinarily are not considered to create “acquisition indebtedness” for purposes of the UBTI rules, and a tax-exempt organization’s income and gain (if any) from securities loans and short sales ordinarily is not treated as UBTI. In addition to the UBTI rules, certain tax-exempt investors may be subject to special set-aside requirements and excise taxes as to which they should consult their own tax advisers.

**Accordingly, an investment in the Scheme may not be appropriate for U.S. IRAs, pension plans and other tax-exempt entities because it may produce debt-financed income that would be taxable to such entities.**

#### *Tax Shelter Reporting*

An investment in the Scheme is not intended to generate tax losses or credits and the Scheme will not be registered as a “tax shelter” under the applicable provisions of the Code. Under Treasury regulations, however, the activities of the Scheme may include one or more “reportable transactions,” (as defined in Treasury Regulation Section 1.6011-4(b)) requiring the Scheme, and in certain circumstances, Investors to file information returns as described below. In addition, the Investment Manager and other “material advisors” to the Scheme may each be required to maintain for a specified period of time a list containing certain information regarding the reportable transaction and the Scheme’s

investors, which information may be inspected, upon request, by the IRS.

If the Scheme engages in a reportable transaction, the Treasury Regulations require the Scheme to complete and file Form 8886 with its tax return for each taxable year in which the Scheme participates in such reportable transaction. Each Investor treated as participating in a reportable transaction of the Scheme is also required to file Form 8886 with its tax return. The Scheme intends to notify those Investors that it believes (based on information available to the Scheme) are required to report a transaction of the Scheme, and intends to provide such Investors with any available information needed to complete and submit Form 8886 with respect to the Scheme's transactions. Generally, the amount of penalty with respect to the failure to disclose will be 75 percent of the decrease in tax shown on the tax return as a result of such transaction (or which would have resulted from such transaction if it had been respected for U.S. federal income tax purposes). The annual maximum penalty will not exceed (i), in the case of a listed transaction, \$100,000 for a natural person and \$200,000 for all others, and (ii), for all other reportable transactions, \$10,000 for natural persons and \$50,000 for all others. The minimum penalty will not be less than \$10,000 (\$5,000 in the case of natural persons).

Under the above rules, an Investor's recognition of a loss upon its disposition of an interest in the Scheme could also constitute a "reportable transaction" for such Investor. Prospective investors should consult with their advisors concerning the application of these reporting obligations to their specific situations.

#### *Reporting Requirements*

The Treasury regulations generally impose an information reporting requirement on a United States person's direct and indirect contributions of cash or property to a foreign partnership such as the Scheme under a number of conditions, including where the value of the cash and/or property transferred during the 12-month period ending on the date of the contribution by the transferor (or any related person) exceeds US\$100,000. If an investor is required to report a transfer to the Scheme of appreciated property, and the Scheme disposes of the property while the investor remains a direct or indirect partner, the investor must report the disposition by the Scheme. The Treasury regulations also generally impose a reporting requirement on an investor if, at any time during a taxable year while more than 50% of the capital or profits interests in the Scheme are owned (directly, indirectly or by attribution) by United States persons, each of whom owns (directly, indirectly or by attribution) 10% or more of the capital or profits interests in the Scheme, such investor owns (directly, indirectly or by attribution) 10% or more of the capital or profits interests in the Scheme. If a foreign partnership such as the Scheme transfers property to a foreign corporation, any United States person that is a partner of the partnership will be considered to have contributed a proportionate share of the property transferred. Cash transfers are reportable by such United States person only if the amount transferred (within the last twelve months) exceeds US\$100,000 or if such United States person is deemed to hold a 10% or greater indirect interest (by vote or value) in the foreign corporation. For example, if the Scheme invests in a foreign entity treated as a corporation for US federal income tax purposes and a United States person that is a partner is deemed to have transferred over US\$100,000 of the investment to such foreign corporation, such United States person must report the amount transferred.

A U.S. Person who is an individual (and certain domestic entities formed or availed of for the purpose of holding specified foreign financial assets) and holds "specified foreign financial assets" (which generally includes foreign financial accounts, as well as the Units, if not held in an account maintained by a "financial institution" (as defined in Code Section 1471(d)(5)) must also comply with the reporting requirements of Section 6038D of the Code where the aggregate value of all such foreign financial assets exceeds certain applicable thresholds. Section 6038D of the Code generally requires such U.S. Person to attach Form 8938 to their tax return for each year in which the aggregate value of such person's specified foreign financial assets exceeds the applicable threshold, disclosing the information described in Section 6038D(c) of the Code with respect to their "specified foreign financial assets" (including information concerning the issuer of each such asset and its maximum value during the year). U.S. Persons who fail to comply with the reporting requirements of Section 6038D of the Code may be subject to a significant penalty. Investors who are U.S. Persons should consult their independent tax advisors as to the reporting requirements of Section 6038D of the Code as they apply to an investment in the Scheme.

Moreover, certain U.S. Persons who have an interest in a foreign financial account during a calendar year that is worth more than US\$10,000 are generally required to file FinCEN Report 114 (an "FBAR") with respect to such account. Failure to file a required FBAR may result in civil and criminal penalties. Investors should consult with their tax advisors as to the application to them of the reporting and filing requirements described above with respect to their investment in the Scheme.

Each Investor is urged to consult its tax advisor concerning the application of these reporting obligations.

#### *Taxation of Non-U.S. Investors*

In general, an Investor that is not a U.S. Person (a "**Non-U.S. Investor**") is subject to U.S. income tax on its income from U.S. sources under two separate sets of rules. Under the first set of rules, if a Non-U.S. Investor is deemed to be engaged in a U.S. trade or business, such Non-U.S. Investor will be subject to U.S. income taxation at the graduated rates generally applicable to U.S. persons on its distributive share of the Scheme's U.S. source income. A Non-U.S. Investor will not be treated as engaged in a U.S. trade or business, however, as a result of the activities of the Scheme as long as the Scheme is an "investor" or "trader" in securities, rather than a "dealer" in securities, as such terms are used in applicable provisions of the Code and the Treasury Regulations.

Even if the Scheme's securities trading activity does not constitute a U.S. trade or business, a Non-U.S. Investor's allocable share of gains realized from the sale or disposition of (i) stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the Code) ("**USRPHCs**"), (ii) stock or securities (other than debt instruments with no equity component) of Real Estate Investment Trusts ("**REITs**") or (iii) stock or securities of certain regulated investment companies ("**RICs**"), will be generally subject to U.S. income tax on a net basis. However, certain principal exceptions to these rules of taxation would apply (i) in the case of an interest in a USRPHC, if such interest is a class of stock which is regularly traded on an established securities market and the Scheme generally did not hold more than five (5%) percent of such regularly traded class of stock at any time during the five (5) year period ending on the date of disposition, or (ii) in the case of an interest in a REIT, or a RIC that qualifies as a USRPHC, if during the five (5) year period ending on the date of disposition (or during the life of the REIT or RIC, if shorter) less than fifty (50%) percent in value of the stock of the REIT or RIC was held directly or indirectly by foreign persons. However, even if the direct or indirect disposition of REIT shares would be exempt from tax on a net basis, distributions from a REIT (whether or not such REIT is a USRPHC), to the extent attributable to the REIT'S disposition of interests in U.S. real property, are subject to tax on a net basis when directly or indirectly received by a non-U.S. Investor. Distributions from certain publicly traded REITs to non-U.S. Investors owning ten percent (10%) or less of the shares are subject to a thirty percent (30%) gross withholding tax on those distributions (unless reduced by an applicable income tax treaty) and are not subject to tax on a net basis.

Moreover, if the Scheme were deemed to be engaged in a U.S. trade or business as a result of owning a partnership interest in a U.S. business partnership or a similar ownership interest, income and gain realized from that investment would be subject to U.S. income taxes when realized by a Non-U.S. Investor.

Under the second set of rules, certain types of U.S. source income that is not effectively connected with a U.S. trade or business is subject to a withholding tax of thirty (30%) percent (unless reduced by an applicable income tax treaty). The types of income subject to the thirty (30%) percent withholding tax include dividends, rents, certain interest, certain other gains (but not capital gains from the sale of securities) and original issue discount, which are included in the Non-U.S. Investor's distributive share of the Scheme's income (whether or not distributed). In order to claim the benefit of a reduced rate of withholding under an applicable income tax treaty, a Non-U.S. Investor is required to comply with certain certification requirements, including filing an appropriate Form W-8 or other applicable forms with the Scheme.

Certain types of income are specifically exempted from the thirty (30%) percent tax and thus withholding is not required on payments of such income to a foreign corporation or individual. The thirty (30%) percent tax generally does not apply to U.S. source capital gains (whether long or short-term) or to interest paid to a foreign corporation or individual

on its deposits with U.S. banks. The thirty (30%) percent tax also does not apply to interest which qualifies as portfolio interest. The term "portfolio interest" generally includes interest (including original issue discount) on an obligation in registered form which is issued after July 18, 1984 and with respect to which the person who would otherwise be required to deduct and withhold the thirty (30%) percent tax receives the required statement that the beneficial owner of the obligation is not a U.S. Person and certain other requirements are met. Also exempt from the thirty (30%) percent tax is income from original issue discount on obligations which are payable no more than 183 days from the date of issue.

In general, any gain realized by a Non-U.S. Investor on the sale, exchange, redemption or disposition of Units will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with a U.S. trade or business, (ii) the Non-U.S. Investor is an individual who is present in the U.S. for 183 days or more during the taxable year of the disposition and certain other conditions are met, (iii) the Non-U.S. Investor is subject to tax under U.S. federal income tax law provisions applicable to certain expatriates, including certain former citizens and residents of the U.S., or (iv) the Units are treated as a U.S. real property interest. Based solely on the Scheme's anticipated activities, it is not expected that the conditions set forth in (i) or (iv) above will be met.

#### *U.S. Withholding*

Unless the Scheme (or the Fund, on behalf of the Scheme) timely agrees to collect and disclose to the government of India certain information with respect to its Investors and its Investors' investments and meets certain other conditions, payments made to the Scheme of dividends, interest and certain other categories of income from sources within the U.S., and payments made on or after January 1, 2019 of proceeds from the sale of property that can produce interest or certain other categories of income from sources within the U.S., will generally (subject to certain grandfathering rules) be subject to a 30% U.S. federal withholding tax. If the Scheme timely agrees to collect and disclose such information, then the Scheme may not be subject to such withholding. Investors that fail to comply with the Scheme's requests for such information will be required to indemnify the Scheme for any withholding taxes, losses or expenses arising from such Investor's failure to provide such information and to otherwise cooperate with the Scheme's efforts to comply with such reporting obligations.

#### *Possible Tax Law Changes*

The foregoing discussion is only a summary and is based upon existing U.S. federal income tax law. Prospective Investors should recognize that the U.S. federal income tax treatment of an investment in Units may be modified at any time by legislative, judicial or administrative action. Any such changes may have retroactive effect with respect to existing transactions and investments and may modify the statement made above.

#### *State and Local Taxes*

Prospective investors should consider, in addition to the U.S. federal income tax consequences described, potential state and local tax considerations in investing in the Scheme. State and local laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. An Investor's distributive share of the taxable income or loss of the Scheme generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which the Investor is a resident. A prospective Investor should consult his, her or its tax advisor with respect to the availability of a credit for such tax in the jurisdiction in which the Investor is a resident.

**The foregoing statements are not intended as tax advice or as a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment in the Scheme may not be the same for all taxpayers. In addition, the foregoing does not discuss state and local tax, estate tax, gift tax or other estate planning aspects of the investment. There can be no assurance that the Scheme's or an Investor's tax returns will not be audited by the IRS, or that no adjustments to the returns will be made as a result of such an audit. Accordingly, prospective investors in the Scheme are urged to consult their tax advisors with specific reference to their own tax situations under federal law and the provisions of applicable state laws before**

subscribing for Units.

***ERISA and Other Benefit Plan Considerations:***

This discussion was written to support the offering of Units. This discussion was not intended or written to be used, and cannot be used, for the purpose of avoiding any federal tax penalties that the Internal Revenue Service may attempt to impose. Each recipient of this Memorandum should seek advice based on that person's particular circumstances from an independent tax advisor.

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF ERISA AND THE CODE IS BASED UPON ERISA, THE CODE, JUDICIAL DECISIONS, AND DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ISSUE THAT MAY BE APPLICABLE TO THE SCHEME OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA AND CODE ISSUES AFFECTING THE SCHEME AND THE INVESTOR.

*In General*

In considering whether to invest assets of any benefit plan in the Scheme, the persons acting on behalf of the plan should consider in the plan's particular circumstances whether the investment will be consistent with their responsibilities and any special constraints imposed by the terms of the plan and by applicable U.S., state or other law, including ERISA and the Code. Some of the responsibilities and constraints imposed by ERISA on employee benefit plans subject to the fiduciary responsibility provisions of Title I of ERISA ("**ERISA Plans**") and by the Code on plans subject to Code Section 4975, including plans covering only partners or other self-employed individuals ("**Keogh Plans**") and individual retirement accounts (collectively, "**Qualified Plans**" and, together with ERISA Plans, "**Plans**"), are summarized below. The following is merely a summary of those particular laws, however, and should not be construed as legal advice or as complete in all relevant respects. In addition, governmental plans, certain church plans, non-U.S. plans and other benefit plans not subject to ERISA or the prohibited transaction provisions of the Code may nevertheless be subject to similar federal, state, foreign or other laws. All investors are urged to consult their legal advisors before investing assets of a benefit plan, including an ERISA Plan or Qualified Plan, in the Scheme, and must make their own independent decisions. In addition, ERISA Plans and Qualified Plans should consider the applicability to them of the Code provisions relating to UBTI.

*Fiduciary Responsibilities With Respect to ERISA Plans*

Persons acting as fiduciaries on behalf of an ERISA Plan are subject to specific standards of behavior in the discharge of their responsibilities pursuant to Section 404 of ERISA. Consequently, in determining whether to invest assets of an ERISA Plan in the Scheme, the Plan's fiduciaries must conclude that an investment in the Scheme would be prudent and solely in the interest of Plan participants and their beneficiaries. They must also determine that any such investment would be in accordance with the documents and instruments governing the ERISA Plan, would provide the Plan with sufficient liquidity in light of the limitations upon an Investor's ability to redeem or transfer Units in the Scheme, and would satisfy applicable diversification requirements. In making those determinations, such persons should take into account, among the other factors described in this Memorandum, that the Scheme will invest its assets in accordance with the investment objectives and policies expressed in this Memorandum without regard to the particular objective of any class of Investors, including ERISA Plans and Qualified Plans. Such persons should also take into account, as discussed below, that it is not expected that the Scheme's assets will constitute the "plan assets" of any investing ERISA Plan or Qualified Plan, so that none of the Scheme, the Fund, the Investment Manager, the Trustee, or any of their principals, agents, employees, or affiliates, will be a fiduciary as to any investing ERISA Plan or Qualified Plan. See also "Identification of Plan Assets" below.

*Prohibited Transactions*

ERISA Plans and Qualified Plans are subject to special rules limiting direct and indirect transactions involving the assets of the Plan and certain persons related to the Plan, termed “parties in interest” under ERISA and “disqualified persons” under the Code. Disqualified persons and parties in interest include any fiduciary to a Plan, any service provider to a Plan, the employer sponsoring a Plan, and certain persons affiliated with a fiduciary, service provider or employer. In addition, ERISA and the Code prohibit fiduciaries of a Plan from engaging in various acts of self-dealing. Engaging in a “prohibited transaction” can result in substantial excise tax penalties and personal liability. Further, any fiduciary to an ERISA Plan taking or permitting any action which the fiduciary knows or should know constitutes a “prohibited transaction” may be personally liable for any loss resulting to the ERISA Plan from such transaction, and subject to forfeiture of any gain derived by the fiduciary from the transaction. The persons acting on behalf of an investing Plan should consider whether an investment of Plan assets in the Scheme might constitute such a prohibited transaction, as might occur for example if the Investment Manager or one of its affiliates were a fiduciary to the investing Plan with respect to the purchase of Units in the Scheme.

#### *Identification of Plan Assets*

Under Section 3(42) of ERISA and applicable regulations of the U.S. Department of Labor as modified by Section 3(42) of ERISA regarding the definition of “plan assets” (together, the “**Plan Asset Rules**”), the fiduciary, prohibited transaction and other provisions of ERISA and the Code, including the rules for determining who is a party in interest or disqualified person, would generally be applied by treating an investing Plan’s assets as including its investment in the Scheme but not including any of the underlying assets of the Scheme. Under the Plan Asset Rules, however, assets of the Scheme may be considered to include assets of the investing Plans (“**Plan Assets**”) if immediately after any acquisition, redemption or transfer of an equity interest in the Scheme, twenty-five percent (25%) or more of the value of any class of equity interests in the Scheme is held by “Benefit Plan Investors.” For this purpose, a Benefit Plan Investor means an ERISA Plan, a Qualified Plan, or an entity deemed to hold plan assets under the Plan Asset Rules by reason of investment in the entity by ERISA Plans or Qualified Plans. However, entities which hold Plan Assets are generally considered to be Benefit Plan Investors only to the extent that their equity interests are held by Benefit Plan Investors, although special rules apply to certain entities, including insurance companies investing assets of their separate accounts and bank collective trust funds. In performing the 25% calculation (the “**25% Threshold**”), interests in the Scheme held by persons (and their affiliates) other than Benefit Plan Investors who provide investment advice to the Scheme for a fee, direct or indirect (including the Investment Manager), or have discretionary authority over the Scheme’s assets, are disregarded.

#### *Consequences of Plan Asset Status*

If the assets of the Scheme were determined to include Plan Assets, there could be a number of adverse consequences under ERISA and the Code. Under ERISA and the Code, a person who exercises any discretionary authority or discretionary control respecting the management or disposition of the assets of a Plan or who renders investment advice for a fee to a Plan is generally considered to be a fiduciary of such Plan. Consequently, should the 25% Threshold be exceeded as to any class of equity interests in the Scheme, the Investment Manager could be characterized as a fiduciary of the investing Plans. As a result, various transactions between the Scheme on the one hand and the Investment Manager, its affiliates, or other parties in interest or disqualified persons with respect to the investing Plans on the other, could constitute prohibited transactions under ERISA or the Code. In addition, the prudence standards and other provisions of Title I of ERISA applicable to investments by ERISA Plans and their fiduciaries would extend to investments made by the Scheme, and the ERISA Plan fiduciaries who made a decision to invest the Plan’s assets in the Scheme could, under certain circumstances, be liable as co-fiduciaries for actions taken by the Scheme or the Investment Manager. Finally, certain other requirements of ERISA, such as the “indicia of ownership” rules (see below under “Holding of Indicia of Ownership”), may become applicable to, but not be satisfied as to, the assets of the Scheme.

#### *Limitation on Investment by Benefit Plan Investors*

In order that the assets of the Scheme are not deemed to be plan assets under ERISA and the Code, the Scheme does not currently intend to permit the investment by Benefit Plan Investors in any class of the Scheme’s equity interests

to equal or exceed the 25% Threshold at any time. Accordingly, the Scheme has the right, in its sole and absolute discretion, to reject any proposed investment by a prospective or existing investor, to deny approval for any transfer of Units and to require that an Investor withdraw all or part of its Units in the Scheme. However, the Scheme reserves the right, in its sole discretion, to permit investment by Benefit Plan Investors to exceed the 25% Threshold and to comply thereafter with the applicable provisions of ERISA and the Code.

#### *Representations by Benefit Plan Investors*

The fiduciaries of each ERISA Plan or Qualified Plan proposing to invest in the Scheme will be required to represent that they have been informed of and understand the Scheme's investment objectives, policies and strategies and that the decision to invest such Plan's assets in the Scheme is consistent with the Plan's terms and the applicable provisions of ERISA and the Code, including, without limitation, terms and provisions that require diversification of Plan assets and impose other fiduciary responsibilities. The fiduciaries of investing Plans will also be required to represent that they are not relying upon the investment or other advice of the Investment Manager or its affiliates in investing in the Scheme, and that the acquisition and holding of Units in the Scheme will not constitute a non-exempt "prohibited transaction" under ERISA or the Code. Finally, any entity that is a Benefit Plan Investor immediately prior to its acquisition of any interest in the Scheme or at any time thereafter while it continues to hold any interest in the Scheme must notify the Scheme of its status as a Benefit Plan Investor prior to its initial acquisition of an interest in the Scheme, or, if it first becomes a Benefit Plan Investor after its initial acquisition of an interest in the Scheme, a reasonable time in advance of becoming a Benefit Plan Investor. Each entity that is a Benefit Plan Investor must also advise the Scheme of the percentage of its assets which are considered to constitute Plan Assets, and must notify the Scheme a reasonable time in advance of any change in such percentage.

#### *Holding of Indicia of Ownership*

Assets of ERISA Plans must at all times comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA, which require the fiduciaries of ERISA Plans to maintain the indicia of ownership of any assets of the Plans within the jurisdiction of the United States district courts. For purposes of ERISA, an Investor's ownership will be evidenced by its fully executed Contribution Agreement. Fiduciaries of ERISA Plans who are considering an investment of Plan assets in the Scheme should consult their own legal advisers regarding compliance with these rules.

#### *Reporting Requirements*

ERISA Plans and Qualified Plans are required to determine the fair market value of their assets as of the close of each Plan's fiscal year. ERISA Plans and certain Qualified Plans are also required to file annual reports (Form 5500 series and Form 5498) with the Department of Labor and the Internal Revenue Service. To facilitate such determinations, and generally to enable fiduciaries of Plans subject to annual reporting requirements under ERISA or the Code to file annual reports as they relate to an investment in the Scheme, Investors will be furnished annually with audited financial statements as described in this Memorandum. There can be no assurance (a) that any value established on the basis of such statements could or will actually be realized by investors upon the Scheme's liquidation; (b) that investors could realize such value if they were able to, and were to sell their Units; or (c) that such value will in all circumstances satisfy the applicable ERISA or Code reporting requirements. In addition, the fiduciaries of a Plan investing in the Scheme are notified that the information in this Memorandum in relation to: (a) the compensation received by Investment Manager hereunder; (b) the services provided by Scheme for such compensation and the purpose for the payment of thereof; (c) a description of the formula used to calculate the compensation; and (d) the identity of the parties paying and receiving the compensation, is intended to satisfy the alternative reporting option for "eligible indirect compensation" for purposes of Schedule C of the Plan's Form 5500.

*There can be no guarantee that the above position regarding taxation of the Fund and taxation of Contributors of the Fund would be necessarily accepted by the income-tax authorities under the ITA or tax authorities in other jurisdictions. No representation is made either by the Trustee of the Fund or the Investment Manager or any employee, director, shareholder or agent of the Investment Manager in regard to the acceptability or otherwise of the above position*

*regarding taxation of the Fund and taxation of the Contributors of the Fund by the income tax authorities under the ITA. Prospective Investors are urged to consult their own tax advisers in this regard.*

## ANNEXURE A: VALUATION & NAV CALCULATION

Classes/Series will be valued on monthly intervals, and valuation of each Class/Series will be undertaken at the Valuation Day of each month. On any Valuation Day, the value of investments of each Class/Series will be computed as set forth below and in the Scheme Documents. The Trustee may, at its discretion, permit any other method of valuation if it considers that such method better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

The Trustee has delegated to the Investment Manager the determination of the Net Asset Value of the Scheme, of each Class/Series of the Scheme.

The Units may be divided into multiple Series to equitably reflect the different fees payable by certain Unit holders as a result of the purchase of Units by Unit holders at different times during the year. The initial series will be designated as “Series One” and each subsequently issued series will be numbered sequentially. For the purposes of series accounting, each series of Unit will constitute a “Series Account” to which the Capital Contribution received from the issue of Units of that Series will be allocated, together with investments and income, gains and losses derived therefrom. Liabilities of the Fund will generally be allocated among the series proportionately and debited to the various series accounts. However, liabilities specifically attributable to a particular series of Units (including Management Fees or Performance Fees that may be payable to the Investment Manager) will be debited to the Series Account for that series. The Fund is permitted to consolidate different series of Units into a single Series at any year-end, provided that the consolidation will have no adverse impact on any Unit holder or affect the calculation of expenses or the Management Fees or the Performance Fees that may be payable with reference to any Unit.

The Fund’s liabilities shall comprise the following:

- a. All borrowings and other amounts due;
- b. All administrative expenses payable or incurred, including establishment and registration costs payable to registration agents; legal fees; audit fees; fees payable to the Investment Manager and all other fees/charges/expenses listed out in the Memorandum;
- c. All known liabilities, whether due or not yet due, including dividends declared but not yet paid;
- d. All disputed as well as undisputed tax liabilities or any tax or other liabilities as may be determined by the Investment Manager; and
- e. All other liabilities of any kind to third parties.

**For the purpose of determining the Net Asset Value, the Investment Manager shall adhere to the SEBI Regulations and following valuation policy would be used for the relevant asset type covered in the investment universe of the fund. In case of change in the extant SEBI Regulations, the below policy may be suitably amended on a periodic basis.**

### **A. Equity and related securities**

| Asset Class | Traded / Non Traded | Basis of Valuation  |
|-------------|---------------------|---|
|             | Traded              | On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange. |

| Asset Class                                       | Traded / Non Traded | Basis of Valuation  |
|---|---------------------|---|
| Equity Shares, Preference Shares, Equity Warrants |                     | For Index Funds / Exchange Traded Funds, exchange of underlying benchmark index would be the primary stock exchange.  |
|   | Non-Traded          | <ul style="list-style-type: none"> <li>• When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other SE will be used, provided such closing price is not exceeding a period of 30 calendar days.</li> <li>• In all other cases               <ul style="list-style-type: none"> <li>○ <b>Equity Shares:</b><br/>Based on the latest available Balance Sheet, net worth shall be calculated as follows:                   <ol style="list-style-type: none"> <li>i. Net Worth per share = [share capital+ reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&amp;L A/c] Divided by No. of Paid up Shares.</li> <li>ii. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry Average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.</li> <li>iii. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.</li> <li>iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.</li> <li>v. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.</li> <li>vi. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.</li> </ol> <p>To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation</p> <ul style="list-style-type: none"> <li>○ <b>Preference Shares:</b> Intrinsic value will be considered</li> <li>○ <b>Equity Warrants / Rights entitlement / partly paid up rights shares:</b> Valuation price will be arrived, after applying appropriate discount (Valuation Committee delegated the power to decide the discount factor), after reducing the exercise price / issuance price from the closing price of the underlying cash equity security.</li> <li>○ <b>Partly Paid Up Share</b> - If the partly paid up share is not traded on any stock exchange on the date of valuation, then it should be valued at the price derived after reducing the uncalled amount from the Closing price of underlying fully paid up share. Further Valuation Committee to decide on application of illiquidity discount as deemed appropriate on case to case basis.</li> <li>○ <b>Demerger:</b></li> </ul> </li> </ul> </li> </ul> |

| Asset Class | Traded / Non Traded | Basis of Valuation  |
|-------------|---------------------|---|
|             |                     | <ul style="list-style-type: none"> <li>i. Where there is one resulting Company along with the demerged company and such resulting company is unlisted - The resulting company will be valued by residual price methodology which would be traded value of the demerged company on the day before the demerger less value of the demerged company immediately post demerger. However, if value of demerged entity is greater or equal to the value of the demerged entity before demerger, then the resulting company would be valued at zero.</li> <li>ii. Where there are more than one resulting companies along with the demerged company and all or some resulting companies are unlisted - The resulting companies will be valued by residual price methodology which would be traded value of the demerged entity on the day before the demerger less value of the demerged entity immediately post demerger. The residual value would be allocated into resulting companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee. If one of the resulting companies is listed, the residual value for unlisted companies would be further determined by reducing the traded value of listed resulting companies from the residual value computed as above</li> <li>iii. In case where the resulting companies and the demerged company are unlisted – The traded value of demerged company on the day before the demerger would be allocated between the resulting companies and demerged company in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee.</li> </ul> <p>If the above companies remained unlisted for more than 3 months, illiquidity discount on the derived prices may be applied on the basis of the market capitalization of the issuer viz. at 5% ,10% and 15%, for Large cap, Mid cap, Small cap respectively</p> <p>In case of the above listed, Valuation committee may decide fair value other than guided above, post considering facts on a case to case basis. Further guidance from valuation committee would be sought for any exceptional cases not covered above.</p> <ul style="list-style-type: none"> <li>o <b>Merger:</b> Valuation of resulting company would be determined by valuation of merging / amalgamating company immediately prior to the ex-date of merger / amalgamation</li> <li>i. In case merging / amalgamating companies being listed, valuation of resulting companies would be summation of valuation of entities immediately prior to merger date. Further if listed company merges into an unlisted surviving company, then the surviving company should be valued at the traded value of merging company immediately before merger.</li> </ul> <p style="text-align: center;">Example:</p> |

| Asset Class   | Traded / Non Traded    | Basis of Valuation  |
|---|------------------------|---|
|   |                        | <ul style="list-style-type: none"> <li>If Company A and Company B merge to form a new Company C then Company C would be valued at the price equals to A+B</li> <li>If Company A which is a listed company merges into Company B which is an unlisted company would be valued at traded price of A immediately before merger.</li> </ul> <p>In case, one of the merging / amalgamating companies being unlisted, valuation of resulting companies would be valued on the principles of fair valuation as guided by the Valuation Committee.</p> <p>If the above companies remained unlisted for more than 3 months, illiquidity discount on the derived prices may be applied on the basis of the market capitalization of the issuer viz. at 5%, 10% and 15%, for Large cap, Mid cap, Small cap respectively.</p> <p>In case of the above listed, Valuation Committee may decide fair value other than guided above, post considering facts on a case to case basis. Further guidance from Valuation Committee would be sought for any exceptional cases not covered above on a case to case basis.</p> |
|   | Thinly Traded          | <p>Policy similar to non-traded Equity Shares.</p> <p>Definition of thinly traded equity/ equity related security: When trading in an equity/equity related security in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security.</p>  |
|   | Unlisted Equity Shares | The valuation would be done by an independent valuer appointed by the Investment Manager. An unlisted equity share may be valued at a price other than the value derived using the aforesaid methodology after taking approval from Valuation Committee.  |
|   | Lock-in Shares         | In case of Equity share under lock in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, the investment manager may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the Valuation Committee on a case to case basis.  |
| Futures & Options   | Traded/Non Traded      | On the valuation day, at the settlement price provided by the respective stock exchanges.   |
| Qualified Institutional Placement (QIP) / Follow on Public Offer (FPO) / Initial Public Offer (IPO) |                        | In case of QIP and FPO recognition and valuation would start from the date of allotment. In case of IPO the security would be valued at cost from the date of allotment till a day prior to listing and on last quoted closing price (as mentioned above under Traded criteria) from the day of listing.  |
| Convertible Debentures  |                        | In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component (Debt) should be valued on the same basis as would be applicable to a debt instrument. The convertible component (Equity) should be valued on the same basis as would be applicable to an equity instrument/equity derivative. If, after conversion the resultant equity instrument would be traded <i>pari passu</i> with an existing equity instrument which is traded, the value of the latter instrument can be arrived at after an appropriate discount for non-tradability,  |

| Asset Class | Traded / Non Traded | Basis of Valuation   |
|-------------|---------------------|--|
|             |                     | time value, volatility etc. of the equity instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in<br>In case of any exception, valuation would be arrived at basis guidance from Valuation Committee |

**B. Fixed Income and related securities**

| Category   | Policy  |
|--|---|
| Valuation of all Debt and Money Market Instruments and Repo (including Tri Party Repo) other than Overnight Repo | At average of the security level prices provided by valuation agencies.<br>In case security level prices are not given by valuation agencies, then such securities will be valued at weighted average purchase yield on the date of allotment / purchase.   |
| Overnight Repo (including Tri Party Repo) and Bank Fixed Deposits  | Bank Fixed Deposits and Overnight Repo (including Tri Party Repo) will be valued at cost plus accruals/ amortization basis.   |
| Valuation of money market and debt securities classified as below investment grade or default.                   | All money market and debt securities which are rated below investment grade shall be valued at the average of the security level price provided by valuation agencies.<br><br>Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued by the valuation agencies on the basis of indicative haircuts.<br><br>If security is traded, it will be valued at lower of weighted average traded price available on public platform or average of the security level price provided by valuation agencies. The traded qualification criteria shall be as determined by valuation agencies. In the absence of the information on the traded qualification criteria from the valuation agencies, the qualification criteria shall be as determined by the Investment Committee.<br><br>In absence of the above information the valuation shall be arrived at basis guidance from Valuation Committee. |
| <b>Interest Rate Futures</b>   | The exchange traded Interest Rate Futures would be valued based on the Daily settlement Price or any other derived price provided by the exchange   |
| <b>Interest Rate Swaps and other Debt OTC Derivatives</b>  | Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Valuation Committee.   |
| <b>Market Linked Debentures</b>  | Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Valuation Committee.   |

**C. Investment in Mutual Fund Units**

| <b>Category</b>             | <b>Policy</b>   |
|-----------------------------|---|
| <b>Domestic Mutual Fund</b> | <p>As per guidelines issued by AMFI, Mutual Fund Units (including ETF's) listed and traded on exchanges (NSE &amp; BSE) would be valued at closing traded price as on the valuation date. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange.</p> <p>Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day. In case if on any valuation day the domestic mutual fund is having a non-business day then previous day closing price / NAV would be considered for valuation.</p> |
| <b>Overseas Mutual Fund</b> | <p>Overseas Mutual Fund Units (including ETF's) listed and traded on exchanges would be valued at the last quoted closing price on the overseas stock exchange, where the security is listed on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation.</p> <p>Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day. In case if on any valuation day the overseas mutual fund is having a non-business day then previous day closing price / NAV would be considered for valuation.</p>                        |

**D. Investment in REITs, InvITs**

| <b>Category</b>      | <b>Policy</b>  |
|----------------------|--|
| <b>REITs/ InvITs</b> | <p>On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange. In case if it's not traded on the valuation day the Valuation Committee would recommend appropriate valuation methodology to determine the fair value.</p> <p>When security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other stock exchange will be used, provided such closing price does not exceed a period of 30 calendar days.</p> <p>In below mentioned scenario where the available price is not reflective of the fair value of the security, the Valuation Committee shall determine an appropriate valuation methodology to establish the fair value:</p> <p>i) Security is not traded beyond 30 calendar days</p> <p>ii) Any unlisted security received as a part of mandatory corporate action or any other such events impacting the schemes.</p> |

| Category | Policy  |
|----------|---|
|          | iii) Any other scenario where the available price is not reflective of the fair value of the security as determined by Valuation Committee. |

**E. Foreign Securities including ADR / GDR**

| Category                 | Policy  |
|--------------------------|---|
| <b><u>Traded</u></b>     | <p>Foreign security shall be valued based on the last quoted closing price available on the overseas stock exchange, where the security is listed on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation.</p> <p>When a security is not traded on stock exchange on the date of valuation, then the previous closing price will be used for valuation, provided such closing price is not exceeding a period of 30 calendar days.</p> <p>However, in case of an extra ordinary event in other markets during the market hours or post the closure of the markets but before NAV computation, the AMC shall value the security at suitable fair value as determined by the Valuation Committee on a case-to-case basis. Further, the Valuation Committee reserves right to suitably modify the defined priority or valuation methodology by documenting rationale for exception to the above defined policy.</p> <p>On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India. For securities / exposure where RBI / FBIL reference rate is not available, the valuation committee would approve the exchange rate to be used. In case the direct exchange rates are not available, then cross currency rate with USD would be considered. The valuation committee reserves the right to change the source for determining the exchange rate with appropriate rationale in case of exceptional scenarios.</p> |
| <b><u>Non-Traded</u></b> | <p>Where the security is not traded, on the date of valuation, on any of the exchanges the last quoted closing price on the selected / primary stock exchange shall be used provided such date is not more than thirty days prior to the valuation date. Securities not traded for more than thirty days shall be valued by AMC at fair value after considering relevant factors on case-to-case basis.</p> <p>On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India.</p>   |

- **Deviations**

In an event the established policies and procedures of valuation as detailed under this Section do not result in fair and appropriate valuation, the Investment Manager shall, subject to such conditions as prescribed by SEBI from time to time and in accordance with Applicable Laws, deviate from the established policies and procedures in order to value

the assets or securities at a fair value and document the rationale for such deviation, which shall be intimated to the Contributors in the manner as prescribed under paragraph titled "Reporting".

Any change in the methodology and approach for valuation of Fund Investments necessitated to comply with (i) any change in Applicable Laws, including the SEBI (Mutual Funds) Regulations, 2026, the Regulations and circulars issued thereunder; and (ii) any change in the methodology and approach within the valuation guidelines / valuation norms prescribed for AIFs, shall not be construed as material changes and shall be carried out in accordance with the Applicable Laws and the Fund Documents. However, upon such change, the valuation of the investment carried out based on valuation methodologies / approaches, both old and new, shall be disclosed to the investors to ensure transparency.

Notes:

- Public Platform refers to:
  - Clearcorp F-TRAC Platform of Clearcorp Dealing Systems (India) Ltd. (CDSIL), NSE & BSE:  
  
For Commercial Papers and Certificate of Deposits  
Clearcorp F-TRAC Platform of Clearcorp Dealing Systems (India) Ltd. (CDSIL)  
  
For corporate bonds / debentures and securitized debts order of preference for the Public Platforms for consideration would be as follow:  
NSE – NSE OTC / CBRICS  
BSE - ICDM
  - NDS-OM: For Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc
  
- Weighted average YTM / Last Traded YTM shall be rounded up to two digits after decimal point.
  
- Securities with Put/Call Options – Would be valued as per security level prices provided by the valuation agencies for the said purpose.
  
- The valuation of security lent shall be done as per the valuation methodology stated for respective security in Annexure I of this valuation policy. The lending fee received for the security lent would be amortized proportionately, until expiry of the contract.
  
- In case of any deviation from the valuation price for money market and debt securities provided by the valuation agencies, AMC shall communicate it to the investors on periodic basis.
  
- In case of any exception to the valuation methodology mentioned above for each of the mentioned asset types or scenarios not covered above the valuation would be carried out as per the guidance of Valuation Committee.

## **ANNEXURE B: SUBSCRIPTIONS**

### **Initial Offer**

During the initial offer period of the Scheme of 15 (fifteen) days, the Scheme is offering up to 1,00,00,000 Units at the fixed price of INR 100 per Unit aggregating up to INR 100 crores. No part of the initial offer has been underwritten or guaranteed.

The Scheme or Investment Manager may use the services of placement agents or other distributors from time to time, to source investors for the Scheme. Such placement agents and/or distributors may charge a fee, which may be based on a percentage of the Capital Commitment or Capital Contributions to the Scheme, and/or as agreed between the relevant placement agent and the Investment Manager or the investor. Such Placement/ Distribution Fee shall be made only from the Management Fees received from the Scheme and on equal trail basis.

No upfront placement fee / distribution fee shall be charged to the Scheme directly or indirectly.

During the initial offer period, applicants for Units should sign the Contribution Agreement and send it to /submit it at any of the offices of DSP Alternative Investment Fund Category III (address given at the beginning of the Memorandum), together with such other documentation or information that may be requested by the Scheme, by facsimile or scanned copy by email at least 5 (five) Business Days (originals to be received at least 1 (one) Business Day) prior to the Closing in order to facilitate reviewing due diligence documentation required to be provided by the applicant / prospective investor. The Units corresponding to the subscription may not be issued to the investor unless the originals are received by the Scheme as set forth herein. Cleared funds in respect of the subscription monies must be received in full by 5.00 pm (Indian Standard Time) at least 48 (forty-eight) hours before the Closing. The Contribution Agreement also should be received well in advance of the Closing.

If the Contribution Agreement is/are not received as set forth herein, the subscription will be rejected or held over (as the Trustee may determine) until the Dealing day after the Contribution Agreement is/are received and Units will then be issued at the NAV on that Dealing day. For subscriptions that are held over, the applications will be processed in accordance with the provisions laid down for subscriptions other than the initial subscription.

### **Further Subscriptions**

The Trustee and/or the Investment Manager may at their sole discretion accept further Capital Commitments by way of subscription to Units of the Scheme on the Dealing Day of each month. The applicants for further subscription to Units should sign the Addendum to Contribution Agreement and send it to /submit it at any of the offices of DSP Alternative Investment Fund Category III (address given at the beginning of the Memorandum), together with such other documentation or information that may be requested by the Scheme, by facsimile or scanned copy by email at least 5 (five) Business Days (originals to be received at least 1 (one) Business Day) prior to the relevant Dealing Day of the month in order to facilitate reviewing due diligence documentation required to be provided by the applicant / prospective investor. Cleared funds in respect of the further subscriptions monies must be received in full on or before the relevant Dealing Day.

If any of the existing Contributors decide to participate in subsequent closing(s) for subscribing to fresh Units of the Scheme, in addition to the Units subscribed to by such Contributors against the initial capital contribution, then such Contributor(s) shall be required to contribute a minimum amount of INR 25 lacs (Rupees Twenty Five Lacs only).

The Trustee/Investment Manager reserves the right to waive the conditions as to the number of days or cut-off timings for receiving of the documents/fund as described above.

**Additional subscriptions by existing Unit holders**

In the event of any further subscription by existing Unit holders, such existing Unit holders may be required to execute an addendum to their respective Contribution Agreement. The procedure set out in this section for further subscriptions shall apply mutatis mutandis to the additional subscription by existing Unit holders.

## **ANNEXURE C: REDEMPTIONS**

Redemptions are subject to a redemption limit of a maximum of 25% (twenty five per cent) of the Net Asset Value of the respective Scheme on the relevant Redemption Date and suspension of redemptions as described herein. If redemption requests are received beyond 25% (twenty five per cent), the holders of Units requesting redemption will be redeemed on a pro rata basis up to a maximum of 25% (twenty five per cent) of the Net Asset Value of the relevant Scheme. The Investment Manager / the Trustee, however, retains the right to allow redemption in excess of 25% (twenty five per cent) of the Net Asset Value.

Subject to the above, Contributors shall be entitled to redeem their investments in the Scheme at monthly intervals. At the request of the Contributor, redemptions shall be made on the Dealing Day of the month based on the NAV of the Units on the relevant Valuation Day, and suspension of redemptions as described herein.

Unit Holders may redeem their Units on any Dealing Day by submitting redemption forms to the Scheme by facsimile or scanned copy by email at least 5 (five) Business Days (originals to be received at least 1 (one) Business Day) prior to the relevant Dealing Day, failing which, the redemption proceeds will be held over until the original redemption forms are received and cancelled respectively by the Scheme. A Unit Holder will receive a confirmation note showing details of the redemption within 7 (seven) Business days of the relevant Dealing Day provided the original redemption forms have been submitted to the Scheme.

Units are redeemed based on the NAV as calculated on the relevant Valuation Day.

A Unit Holder shall not be entitled to redeem only part of his Units, if thereby his holding in the Scheme (based on the NAV at the time of redemption) would be reduced to less than Rs. 1,00,00,000/- (Rupees One Crore only) / Rs 25,00,000 (Rupees Twenty Five Lakhs) in case of directors and employees of the Investment Manager and in any such event, the Investment Manager shall require such Unit Holder to redeem all of his Units, if by such Unit Holder's request, his holding would be so reduced.

The Trustee/Investment Manager reserves the right to waive the conditions as to the number of days for receiving of the documents as described above.

The Scheme shall dispatch the amount due to the Unit Holder with respect to the redemption as soon as practicable and in any case within 7 (seven) Business Days from the date of receipt and acceptance of the original redemption form by the Scheme (i.e. the Dealing Day), unless the redemption of Units has been suspended in accordance with the Scheme documents.

### **Compulsory Redemption**

The Investment Manager reserves the right to compulsorily redeem all or a part of the outstanding Units under certain circumstances, including situations where Units held by certain persons could create regulatory or tax concerns for the Scheme and other Unit Holder in accordance with the Indenture.

### **Exit Load**

Redemptions shall be subject to an exit load of 1% (one percent), or such other rate as may be prescribed by the Trustee on the recommendation of the Investment Manager, in case where a Unit Holder is desirous of and has requested for redemptions of the Units held by it prior to the expiry of 1 (one) year from the date of subscription of such Units. The exit load (if any) so deducted will be credited to the scheme.

### **Suspension of Redemption**

Redemptions of Units may be suspended by the Investment Manager only:

1. in exceptional circumstances provided that such suspension is exclusively in the best interest of the Unit holders, or
2. if the suspension is required under the SEBI Regulations or required by SEBI.

During the period suspension of the redemptions, Investment Manager shall not accept new Capital Commitments. The decision by the Investment Manager to suspend redemptions, in particular the reasons for the suspension and the planned actions shall be appropriately documented and communicated to SEBI and to the Unit holders. Such suspension shall be regularly reviewed by the Investment Manager. The Investment Manager shall take all necessary steps in order to resume normal operations as soon as possible having regard to the best interest of the Unit holders.

**ANNEXURE D: FEES & EXPENSES**

**Management Fee:**

The Scheme will pay Management Fees to the Investment Manager at an annual rate on the Net Asset Value as mentioned in the below fee structure table prior to charging of fees, costs and expenses, applicable taxes and Distribution, etc. Other government duties and levies (like GST etc.), excluding income tax will be charged over and above this. The level of Management Fee payable shall vary according to the Class of Units.

The Management Fee shall be charged on a daily basis or at such other frequency as the Investment Manager may, at its sole discretion, deem appropriate.

| <b>Fee Structure – Class A</b>   |                               |   |  |
|--|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>  | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| 5% of the Corpus or INR 10 Crores (Rupees Ten Crores only), whichever is lower (as per the Regulations)  | 0.75 % ^                      | 0.25 % ^  | 1.00 % ^   |
|  | 0.25 % #                      | 0.25 % #  | 0.50 % #   |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc |                               |   |  |
| ^ Applicable on old investments done till April 2023   |                               |   |  |
| # Applicable on new investments after April 2023   |                               |   |  |

| <b>Fee Structure – Class B</b>                 |                               |   |  |
|--|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>      | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| >= INR 1 crore to < INR 5 crores (Class B1)    | 1.75 %                        | 0.25 %  | 2.00 %   |
| >= INR 5 crores but < INR 10 crores (Class B2) | 1.25 %                        | 0.25 %  | 1.50 %   |

|   |        |        |        |
|---|--------|--------|--------|
| INR 10 crores and above (Class B3)  | 0.75 % | 0.25 % | 1.00 % |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc. |        |        |        |

| <b>Fee Structure – Class C (Direct Plan)</b>  |                               |   |  |
|---|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>   | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| >= INR 1 crore to < INR 5 crores (Class C1)   | 0.50 %                        | 0.25 %  | 0.75 %   |
| >= INR 5 crores but < INR 10 crores (Class C2)  | 0.40 %                        | 0.25 %  | 0.65 %   |
| INR 10 crores and above (Class C3)  | 0.25 %                        | 0.25 %  | 0.50 %   |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc. |                               |   |  |

| <b>Fee Structure – Class D</b>  |                               |   |  |
|---|-------------------------------|---|--|
| <b>Capital commitment by the investor</b>   | <b>Management Fees up to*</b> | <b>Scheme Expenses* (including Trustee Fee)</b> | <b>Total Fees * (Not to exceed following % of the pre-tax NAV)</b> |
| INR 25 lakhs and above  | 0.25 %                        | 0.25 %  | 0.50 %   |
| * Maximum limits, excluding all statutory levies and taxes (like Goods and Services Tax etc.) of the Scheme. The above also excludes cost on execution of trades which will be on actuals i.e. brokerage, transaction cost, stamp duty on the transaction, STT etc. |                               |   |  |

**Performance Fee:**

Please refer to Performance Fee as described in Section 2 – Summary of Principal Terms.

**Trusteeship Fee:**

The Trustee may also be paid trusteeship fees of an amount not exceeding 0.2% of the funds under management (plus GST, if any, as applicable).

**Distribution Fees**

The Scheme or Investment Manager may use the services of placement agents or other distributors from time to time, to source investors for the Scheme. Such placement agents and/or distributors shall be paid a Distribution Fee of up to 85% of the Management Fees on the average Net Asset Value of the investments made by such Investor.

The particulars of the Distribution Fees applicable to each Investor shall be specifically disclosed in the application form which forms part of the Contribution Agreement entered into with the respective Investor.

Such Distribution Fee shall be paid only from the Management Fees received from the Scheme and on equal trail basis.

No upfront Distribution Fee shall be charged to the Scheme directly or indirectly.

**Scheme Expenses:**

The Trustee shall have the right to be reimbursed the costs and expenses incurred in relation to the activities of the Scheme including without limitation the expenses directly related to operations of the Scheme including, (ii) expenses in connection with meetings of the holders of the various Units (out-of-pocket expenses of representatives of Unit Holders will be borne by the Unit Holders), (iii) expenses associated with the Scheme's financial statements and tax returns (including valuation of Investments) and reports to Unit Holders, (iv) other expenses associated with the acquisition of, holding and disposition of the Scheme's investments, including brokerage, custody and hedging costs and any other transactional costs, (v) any taxes, fees or other government charges levied against the Scheme, (vi) fees and expenses (including GST, if applicable) of any custodian, trustee and administrator of the Scheme and their agents, (vii) statutory, legal, audit and any other third party fees and operating expenses related to the Scheme, (viii) indemnification obligations, if any, of the Scheme including to any person pursuant to the terms of any agreements executed while making the Investments, and (ix) all liquidation expenses of the Scheme.

The total of Management Fees, Scheme Expenses and Trustee Fees shall not exceed the limits as mentioned in the table above.

The Investment Manager reserves the right to charge all fees, costs and expenses on Units of the Scheme on a daily basis or such other frequency as the Investment Manager may, at its sole discretion, deem appropriate in compliance with SEBI Regulations.

**Exit Load**

Redemptions shall be subject to an exit load of 1% (one percent), or such other rate as may be prescribed by the Trustee on the recommendation of the Investment Manager, in case where a Unit Holder is desirous of and has

requested for redemptions of the Units held by it prior to the expiry of 1 (one) year from the date of subscription of such Units. The exit load (if any) so deducted will be credited to the scheme.

**Disclosures on fees and charges**

**Performance Fee Calculation:**

**Case Study 1: Performance fee life cycle over a period of 5 years**

| Year                       |                              | 1      | 2      | 3      | 4      | 5      |
|----------------------------|------------------------------|--------|--------|--------|--------|--------|
| Opening NAV (Invested NAV) | A                            | 100.00 | 109.88 | 130.42 | 121.09 | 133.29 |
| Closing NAV (Gross) *      | B                            | 118.00 | 149.49 | 121.09 | 141.09 | 337.00 |
| Hurdle Rate (%) p.a.       | C                            | 9%     | 9%     | 9%     | 9%     | 9%     |
| HWM NAV                    | D                            | 100.00 | 109.88 | 130.42 | 130.42 | 130.42 |
| Reference Price            | E = Max (A,D)                | 100.00 | 109.88 | 130.42 | 130.42 | 133.29 |
| Hurdle NAV for the year    | F = E * (1+C)                | 109.00 | 119.77 | 142.15 | 142.15 | 145.29 |
| Gains beyond Hurdle NAV    | G = B - F                    | 9.00   | 29.72  | -      | -      | 191.71 |
| Performance fee (%)        | H (inclusive of GST @18.00%) | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| Performance Fee (Rs.)      | I = G * H                    | 1.80   | 5.94   | -      | -      | 38.34  |
| Closing NAV (Before Tax)   | J = B - I                    | 116.20 | 143.55 | 121.09 | 141.09 | 298.66 |
| Tax ^                      | K                            | 6.32   | 13.13  | -      | 7.80   | 64.49  |
| Closing NAV (After Tax)    | L = J - K                    | 109.88 | 130.42 | 121.09 | 133.29 | 234.16 |

\* Before performance fee and tax calculation and after all fixed expenses and statutory levies. Fixed expenses are assumed at the rate of 2% (excluding statutory levies) on Valuation Day AUM  
The fund also experiences tax on short term & long term capital gains. All such income are assumed to be Nil for above illustration.

^ Assumed at Maximum Marginal Rate for illustration. Currently @ 39% inclusive of surcharge and cess. Tax computed is only for illustration purpose.

**Case Study 2: Performance fee computation in different scenarios**

| Year                       |                              | S1     | S2     | S3     | S4     | S5     |
|----------------------------|------------------------------|--------|--------|--------|--------|--------|
| Opening NAV (Invested NAV) | A                            | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Closing NAV (Gross) *      | B                            | 98.00  | 100.00 | 108.00 | 109.00 | 118.00 |
| Hurdle Rate (%) p.a.       | C                            | 9%     | 9%     | 9%     | 9%     | 9%     |
| HWM NAV                    | D                            | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Reference Price            | E = Max (A,D)                | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Hurdle NAV for the year #  | F=E * (1+C)                  | 109.00 | 109.00 | 109.00 | 109.00 | 109.00 |
| Gains beyond Hurdle NAV    | G = B – F                    | -      | -      | -      | -      | 9.00   |
| Performance fee (%)        | H (inclusive of GST @18.00%) | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| Performance Fee (Rs.)      | I = G * H                    | -      | -      | -      | -      | 1.80   |
| Closing NAV (Before Tax)   | J = B – I                    | 98.00  | 100.00 | 108.00 | 109.00 | 116.20 |
| Tax ^                      | K                            | -      | -      | 3.12   | 3.51   | 6.32   |
| Closing NAV (After Tax)    | L = J – K                    | 98.00  | 100.00 | 104.88 | 105.49 | 109.88 |

S1 - Return less than invested amount (Loss)

S2 - No profit no loss

S3 - Return More than invested amount but less than the hurdle rate

S4 - Return equal to the hurdle rate

S5 - Return more than the hurdle rate

\* Before performance fee and tax calculation and after all fixed expenses and statutory levies. Fixed expenses are assumed at the rate of 2% (excluding statutory levies) on Valuation Day AUM

The fund also experiences tax on short term & long term capital gains. All such income are assumed to be Nil for above illustration.

^ Assumed at Maximum Marginal Rate for illustration. Currently 39% inclusive of surcharge and cess.

Tax computed is only for illustration purpose.

## **ANNEXURE E: NOTICE TO CERTAIN NON-US INVESTORS**

### **NOTICE TO RESIDENTS OF MAURITIUS**

No offering document, prospectus or other disclosure document has been lodged with the Mauritius Financial Services Commission in relation to this offering. This Memorandum does not constitute an offer to sell the Units in the Scheme to the public in Mauritius nor a prospectus for the purpose of the Mauritius Securities Act 2005. Accordingly, statutory liability under the Mauritius Securities Act 2005 in relation to the content of prospectuses would not apply.

The Units in the Scheme may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither this Memorandum nor any other offering material or information contained herein relating to the offer of the Units in the Scheme, may be released or issued to the public in Mauritius or used in connection with any such offer.

This Memorandum is exempt from the general requirements of a prospectus under section 70 of the Mauritius Securities Act 2005 on the grounds that this Memorandum is being issued in relation to an offer or issue of securities that is a private placement. "Private placement" means an offer of securities where the total cost of subscription or purchase for each person to whom the offer is made is at least equal to the amount as determined by the rules made by the Mauritius Financial Services Commission and where each person subscribes or purchases for his own account and no publicity is made by the person making the offer.

### **NOTICE TO RESIDENTS OF THE UNITED ARAB EMIRATES**

The offering of the Units has not been approved or licensed by the United Arab Emirates Central Bank, the UAE Securities and Commodities Authority ("**SCA**"), the Dubai Financial Services Authority ("**DFSA**") or any other relevant licensing authorities in the United Arab Emirates ("**UAE**"), and accordingly does not constitute a public offer of securities in the UAE in accordance with the commercial companies law, Federal Law No. 2 of 2015 (as amended), SCA Resolution No.(37) of 2012 (as amended) or otherwise. Accordingly, the Units may not be offered to the public in the UAE (including the Dubai International Financial Centre). This Memorandum is strictly private and confidential and is being issued to a limited number of institutional and individual investors:

- (a) who fall within the exceptions to SCA Resolution No. (37) of 2012 (as amended) or who otherwise qualify as sophisticated investors;
- (b) upon their request and confirmation that they understand that the Units and the interests have not been approved or licensed by or registered with the UAE Central Bank, the SCA, DFSA or any other relevant licensing authorities or governmental agencies in the UAE; and
- (c) must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

### **NOTICE TO RESIDENTS OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE**

This Memorandum relates to a Fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved this Memorandum or any other associated documents nor taken any steps to verify the information set out in this Memorandum, and has no responsibility for it. The Units to which this Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units. If you do not understand the contents of this document you should consult an authorised financial adviser.

### **NOTICE TO RESIDENTS OF TANZANIA**

This Memorandum and the information contained herein are private and confidential and are for the use only by the individual to whom the material is addressed.

The Memorandum may not be distributed or made publicly available to any person other than the addressee. Any person (other than the addressee) who receives a copy of this Memorandum may not treat it as constituting an invitation to them to subscribe for an interest or a solicitation to subscribe for an interest.

The Fund has not been and will not be registered with the Tanzanian Capital Markets and Securities Authority as a collective investment institution fund under the Capital Markets and Securities Act 1994. This Memorandum may not be advertised in the United Republic of Tanzania and no memorandum, information circular, brochure or similar document relating to the contents of the Memorandum may be publicly distributed to, directly or indirectly, any individual or legal entity in the United Republic of Tanzania.

### **NOTICE TO RESIDENTS OF NIGERIA**

It is unlawful to solicit investments in a foreign investment scheme that has not been approved by the Nigerian Securities and Exchange commission. Accordingly, the information contained herein and on the pages in this Memorandum do not constitute an offer of securities for sale or a solicitation of an offer to purchase securities in Nigeria or to persons located in Nigeria. This document and the securities referred to herein have not been and are not intended to be registered with the Nigerian Securities and Exchange Commission or any other relevant regulatory body within Nigeria.

### **NOTICE TO RESIDENTS OF SINGAPORE**

The offer or invitation of the units (the “**Units**”) of the Scheme launched by the Fund (listed in the attached Appendix) which is the subject of the Memorandum, does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) or recognised under Section 287 of the SFA. The Scheme is not authorised or recognised by the Monetary Authority of Singapore (the “**MAS**”) and the Units are not allowed to be offered to the retail public. The Memorandum and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you.

The Memorandum has not been registered as a prospectus with the MAS. Accordingly, the Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units may not be circulated or distributed, nor may Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 304 of the SFA; (ii) to a relevant person pursuant to Section 305(1) of the SFA, or any person pursuant to Section 305(2) of the SFA, and in accordance with the conditions, specified in Section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA other than:

(1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 305A(5) of the SFA; or

(5) as specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

### **NOTICE TO RESIDENTS OF HONG KONG**

The contents of this Memorandum have not been reviewed nor endorsed by any regulatory authority in Hong Kong. Hong Kong residents are advised to exercise caution in relation to this offer. An investment in the Scheme may not be suitable for everyone. If you are in any doubt about the contents of this Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional advice. The Scheme is not authorised by the Securities and Futures Commission (“**SFC**”) in Hong Kong pursuant to Section 104 of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) (“**SFO**”). This Memorandum has not been approved by the SFC in Hong Kong, and, must not, therefore, be issued, or possessed for the purpose of issue, to persons in Hong Kong other than (1) professional investors within the meaning of the SFO (including professional investors as defined by the Securities and Futures (Professional Investors) Rules); or (2) in circumstances which do not constitute an offer to the public for the purposes of the SFO. This Memorandum is distributed on a confidential basis and may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed. No Units in the Scheme will be issued to any person other than the person to whom this Memorandum has been addressed and no person other than such addressee may treat the same as constituting an invitation for him to invest.

### **NOTICE TO RESIDENTS OF UNITED KINGDOM**

This document is for your information only and does not constitute an offer, solicitation of an offer, public advertisement or recommendation to buy or sell any investment or other specific product.

This document is addressed only to persons falling within one or more of the following exemptions from section 21 of the United Kingdom Financial Services and Markets Act 2000 (“**FSMA**”):

- (a) authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order, (the “**FPO**”) and their directors, officers and employees acting for such entities in relation to investment;
- (b) high net worth entities falling within article 49 FPO and their directors, officers and employees acting for such entities in relation to investment; and
- (c) persons who receive this document outside the United Kingdom.

The distribution of this document in the United Kingdom to anyone not falling within the above categories is not permitted by the Trustee/Investment Manager/Fund/Scheme and may contravene FSMA. No person falling outside those categories should treat this document as constituting a promotion to him, or act on it for any purposes whatever.

This document does not constitute, and may not be used for the purposes of, an offer of commitments or an invitation to apply to participate in the fund by any person in any jurisdiction in which such offer or invitation is not authorised or in which the person endeavouring to make such offer or invitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or invitation.

Neither the Trustee nor the Investment Manager nor the Fund nor the Scheme has made a notification to the UK’s Financial Conduct Authority under the UK’s National Private Placement Regime. The Trustee/Investment Manager/Fund/Scheme is not permitted to market interests in the Fund/Scheme. This document is not subject to and has not received approval from the Financial Conduct Authority and no statement to the contrary, explicit or implicit, is authorised to be made in this regard.

### **NOTICE TO RESIDENTS OF AUSTRALIA**

Prospective Australian investors should be aware that the Private Placement Memorandum (the **Memorandum**) of the DSP India Enhanced Equity SatCore Fund (the **Fund**) is not prepared from the point of view of an Australian investor and accordingly, the Memorandum should be read subject to the following:

1. This Memorandum is provided to prospective investors and, by receiving it, each prospective investor is deemed to represent and warrant that it is a wholesale client (as that term is defined in Australian Corporations Act 2001 (Cth)).
2. Any advice contained in this Memorandum is provided by DSP Trustee Pvt. Ltd in its capacity as trustee of the Fund (the **Trustee**). The Trustee does not hold an Australian financial services licence which authorises it to provide advice in relation to the interests in the Fund. You should read this Memorandum before making a decision to acquire an interest in the Fund. No cooling-off regime applies to an acquisition of the interests in the Fund.
3. The information contained in this Memorandum has been prepared solely for information purposes and sets out information relating to the Fund. Australian investors interested in gaining exposure to the Fund may do so by investing pursuant to this Memorandum. This Memorandum does not take into account your personal needs and circumstances. You should consider obtaining your own financial product advice in relation to information contained in this Memorandum from an independent person who is licensed by the Australian Securities and Investments Commission to give such advice.
4. The Memorandum is not a prospectus, product disclosure statement or any other form of disclosure document for the purposes of Chapter 6D or Chapter 7 (as the case may be) of the Australian Corporations Act 2001 (Cth).
5. All amounts referred to in the Memorandum are references to Indian rupee.
6. All information contained in the Memorandum is subject to change and will not reflect information that subsequently becomes available or changes occurring after that date.
7. The risks of investing in the Fund are outlined in the Section titled "Risk Considerations and Other Disclosures" of this Memorandum. You should note however, as an Australian investor, you may be exposed to additional risks other than those outlined in this Memorandum (such as foreign exchange risks). You should consider these risks before investing in the Fund.
8. Subject to transfer restrictions contained in the Memorandum, the Indenture and the Contribution Agreement, you are only allowed to transfer the interest to another Australian investor who is a wholesale client (as those terms are defined in Australian Corporations Act 2001 (Cth))."

#### **NOTICE TO RESIDENTS OF QATAR AND QATAR FINANCIAL CENTRE**

This memorandum is provided on an exclusive basis to the specifically intended recipient thereof, upon that person's request and initiative, and for the recipient's personal use only.

Nothing in this memorandum constitutes, is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in the State of Qatar or in the Qatar Financial Centre or the inward marketing of securities or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre other than in compliance with any laws applicable in the State of Qatar or in the Qatar Financial Centre governing the issue, offering and sale of securities.

This memorandum and the underlying instruments have not been approved, registered or licensed by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or any other regulator in the State of Qatar.

Recourse against the dealer, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside Qatar and the Qatar Financial Centre.

This memorandum and any related documents have not been reviewed or approved by the Qatar Financial Centre's Regulatory Authority or the Qatar Central Bank.

Any distribution of this memorandum by the recipient to third parties in Qatar or the Qatar Financial Centre beyond the terms hereof is not authorised and shall be at the liability of such recipient.

#### **NOTICE TO RESIDENTS OF KUWAIT**

This Memorandum is not for general circulation to the public in the State of Kuwait. Units of the Scheme have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority, the Kuwait Central Bank or any other relevant Kuwaiti governmental agency. The offering, promotion, marketing, advertisement or sale of Units of the Scheme in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended, which govern the issue, offer, marketing and sale of securities in the State of Kuwait ("**Kuwait Securities Laws**"). Hence, in accordance with the Kuwait Securities Laws, no private or public offering of Units of the Scheme is being made in the State of Kuwait, and no agreement relating to the sale of Units of the Scheme will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market interests in the Units of the Scheme in the State of Kuwait.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Fund Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF OMAN**

This Memorandum, and the Units of the Scheme to which it relates, may not be advertised, marketed, distributed or otherwise made available to the general public in Oman. In connection with the offering of the Units of the Scheme, no prospectus has been registered with or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other regulatory body in the Sultanate of Oman. The offering and sale of Units of the Scheme described in this Memorandum will not take place inside Oman. Units of the Scheme are being offered on a limited private basis, and do not constitute marketing, offering or sales to the general public in Oman. Therefore, this Memorandum is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may neither be reproduced, used for any other purpose, nor provided to any other person than the intended recipient hereof

#### **NOTICE TO RESIDENTS OF THE PEOPLE'S REPUBLIC OF CHINA**

The offer of the interests has not been and will not be filed with the securities regulatory commission of the People's Republic of China or Asset Management Association of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Mainland of the People's Republic of China through a public offering or under circumstances that require an examination or approval of China Securities Regulatory Commission in accordance with the relevant securities laws and regulations. Interests of a private equity investment fund may be offered through private placement in China to no more than 200 qualified investors, each of whom (i) shall make a minimum capital commitment of RMB 1 million to the fund, and (ii) is either an entity with net assets of no less than RMB 10 million or a

natural person with individual financial assets of no less than RMB 3 million or average individual income of no less than RMB 500,000 for the most recent three years.

## **10. INVESTOR CHARTER FOR ALTERNATIVE INVESTMENT FUNDS**

(Disclosure in compliance with Chapter 17 of SEBI Master Circular)

### **A. Vision and Mission Statement**

#### **Vision**

To develop the Alternative Investment Fund ("AIF") industry on professional and ethical lines and maintain high standards of governance and transparency.

#### **Mission**

- Maintain high professional and ethical standards within the AIF industry.
- Comply with all applicable regulations and co-operate with the regulators in all aspects of the AIF activity.
- Act in a fiduciary capacity towards the investors.

### **B. Details of business transacted by the organization with respect to the investors:**

- To raise capital from domestic and global investors.
- To invest in portfolio companies in accordance with investment strategy stated in Fund documents, with an objective to generate positive returns for the stakeholders including investors.
- To distribute returns to the investors as per the fund documents.

### **C. Details of services provided to investors:**

#### **1. On-boarding of investors.**

- 1.1. Sharing of Private Placement Memorandum (PPM).
- 1.2. Account opening with the AIF:
  - Completing KYC of investors and registration of KYC with KRAs.
  - Sharing of copies of fund documents with investors.
  - Entering into contribution agreement with investor.

#### **2. Obtaining investor consent for material changes to fund structure**

- 2.1. Change in the sponsor or the manager of the AIF.
- 2.2. Change in control of the sponsor or the manager of the AIF.
- 2.3. Material changes to terms of PPM
  - Term of Fund.
  - Investment Strategy.
  - Increase in fees and charges.
- 2.4. Winding up of Fund/ Scheme prior to expiry of tenure.

#### **3. Dissemination of financial information of Fund.**

- 3.1. Net Asset Value of Fund/ Scheme.
- 3.2. Financial information of investee companies.
- 3.3. Information on performance of scheme/fund.

#### **4. Disclosures with respect to material risks associated with the fund and its portfolio investments.**

- 4.1. Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction.
- 4.2. Any material liability arising during the tenure of the fund.

- 4.3. Any breach of a provision of the PPM or any other agreement made with the investor or any other fund documents.
- 4.4. Intimation regarding any conflict of interest.
- 4.5. Risks associated with the portfolio, such as concentration risk, foreign exchangerisk, leverage risk, realization risk, strategy risk, reputation risk, extra-financial risks such as social and corporate governance risks etc. at fund and investee company level.

**5. Intimation of any non-material changes in the operations of the fund.**

- 5.1. Non-material changes such as
  - Bank account details
  - Address of AIF or its Manager or Sponsor
  - Contact details such as email-id, contact number, etc. of AIF or its Manager or Sponsor

**6. Grievance redressal**

- 6.1. Redressal of investor complaints received directly from investors and/ or from SEBI / SCORES.

**7. Digital Accessibility for Persons with Disabilities**

Investors who are persons with disabilities within the meaning of the Rights of Persons with Disabilities Act, 2016, have the right to full and equitable access to all investor facing digital platforms of the AIF or the investment manager, in accordance with SEBI circular titled “Compliance Guidelines for Digital Accessibility under the Rights of Persons with Disabilities Act, 2016 and rules made thereunder – mandatory compliance by all Regulated Entities” dated July 31, 2025, read with the SEBI circular bearing reference HO/13/19/13(2)2025-ITD-1\_VIAP/187/2025 dated December 08, 2025 and any further amendments.

**D. Timelines of the activity/services provided to investors:**

| Sr. No.   | Description of activity/services provided by Alternative Investment Funds (AIFs) to its investors | Timeline for completion of activity  |
|-----------|---|--|
| <b>1.</b> | <b>Valuation related disclosures:</b>   |  |
| a.        | Valuation of investment by Category I and II Alternative Investment Fund                          | At least once every six months. Can be extended to once a year with approval of 75% of its investors by value of investment. |
| b.        | Disclosure of NAV of scheme(s) of the Category III Alternative Investment Fund                    | Close ended fund - quarterly basis   |
|           |   | Open ended fund - monthly basis  |
| <b>2.</b> | <b>Transparency related disclosures:</b>  |  |
| a.        | Disclosure of financial information of investee companies   | <ul style="list-style-type: none"> <li>• Category I and II - within 180 days from the</li> </ul>                             |

|           |   |   |
|-----------|---|---|
| b.        | Disclosure of Material risks:<br><br>concentration risk, foreign exchange risk at fund level and leverage risk, realization risk, strategy risk, reputation risk at investee company level, extra-financial risks such as social and corporate governance risks etc. at fund and investee company level | year end or earlier as per the fund documents.<br><br>• Category III – within 60 days from the end of the quarter end or earlier as per the fund documents. |
| c.        | Financial, risk management, operational, portfolio, and transactional information regarding fund investments  | To be disclosed periodically to the investors   |
| d.        | Any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company  |   |
| e.        | Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction  | As and when occurred  |
| f.        | Any material liability arising during the Alternative Investment Fund's tenure  |   |
| g.        | Any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents   |   |
| h.        | Intimation regarding conflict of interest in any transaction  | As and when they arise or seem likely to arise  |
| i.        | Any change in terms of Private Placement Memorandum / fund documents  | On consolidated basis within one month of end of each financial year  |
| <b>3.</b> | <b>Complaint handling related services:</b>   |   |
| a.        | Response to complaint received from investors   | Within 30 days from the date of receipt of complaint  |
| b.        | Redressal of investor complaint received from SEBI/SCORES   | Within 30 days from the date of receipt of complaint  |

**D. Details of grievance redressal mechanism and how to access it.**

1. Alternative Investment Funds are required to redress all investor complaints in timely manner.
2. An Alternative Investment Fund, by itself or through the Manager or Sponsor, are required to lay down procedure for resolution of disputes between the investors and AIF or Manager or Sponsor through arbitration or any such mechanism as mutually decided between the investors and the Alternative Investment Fund.
3. Investors can also approach SEBI for redressal of their complaints through SEBI SCORES platform. On receipt of complaints, SEBI takes up the matter with the concerned AIF.
4. Investors may send their complaints to: Office of Investor Assistance and Education, Securities and Exchange Board of India, SEBI Bhavan. Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

**E. Responsibilities of investors**

**1. Responsibility to inform and educate yourself**

- 1.1. Read thoroughly all fund documents including private placement memorandum, contribution agreement, sales literature, newsletters and understand the product.

- 1.2. Carefully consider all investment risks, fees, and/or other factors detailed in these documents.
  - 1.3. Ensure and make certain that the proposed investment in the Fund meets your investment objective and is in alignment with your risk appetite.
  - 1.4. Review your portfolio holdings, account statements and transaction confirmation on regular basis to ensure that you are aware of all transactions and securities where you are invested.
- 2. Responsibility to timely update your KYC and information with the Intermediary**
- 2.1 Provide complete and accurate information in your KYC documents, including financial/ income status.
  - 2.2 Timely updation of KYC information.
- 3. Responsibility to abide by the contribution agreement.**
- 3.1. The investor needs to read carefully and understand the agreement that he/she is entering into with the Alternative Investment Fund and abide by the terms thereof.
  - 3.2. The investor should be aware that investment terms are not guarantee of future performance or returns of the Fund/ Scheme.
- 4. Responsibility to use right financial intermediaries, consultants and advisors.**
- 4.1. Carefully consider validity and reliability of investment information obtained from all sources, especially unsolicited information obtained over the Internet.
- 5. Responsibility to maintain confidentiality of information.**
- 5.1. Investors shall not disclose any material non-public information that is received by virtue of being investors of the fund, except as may be guided by the terms of the fund documents.

## 11. COMPLAINTS DATA TO BE DISPLAYED BY AIFS FOR THE FUND

### 1. Investor complaints data for the quarter ending March, 2026

| S.No. | Investor Complaints received from | Pending as at the end of the last quarter | Received | Resolved | Total Pending at the end of the quarter | Pending complaints > 3months | Average Resolution time ^ (in days ) |
|-------|-----------------------------------|---|----------|----------|---|------------------------------|--------------------------------------|
| 1     | Directly from Investors           | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 2     | SEBI (SCORES)                     | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 3     | Other Sources (if any)            | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
|       | <b>Total</b>                      | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |

^ Average Resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

### 2. Investor complaints data for the quarter ending December 2025

| S.No. | Investor Complaints received from | Pending as at the end of the last quarter | Received | Resolved | Total Pending at the end of the quarter | Pending complaints > 3months | Average Resolution time ^ (in days ) |
|-------|-----------------------------------|---|----------|----------|---|------------------------------|--------------------------------------|
| 1     | Directly from Investors           | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 2     | SEBI (SCORES)                     | 0   | 1        | 1        | 0                                       | 0                            | 11                                   |
| 3     | Other Sources (if any)            | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
|       | <b>Total</b>                      | 0   | 1        | 1        | 0                                       | 0                            | 11                                   |

^ Average Resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

**3. Investor complaints data for the quarter ending September 2025**

| S.No. | Investor Complaints received from | Pending as at the end of the last quarter | Received | Resolved | Total Pending at the end of the quarter | Pending complaints > 3months | Average Resolution time ^ (in days ) |
|-------|-----------------------------------|---|----------|----------|---|------------------------------|--------------------------------------|
| 1     | Directly from Investors           | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 2     | SEBI (SCORES)                     | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 3     | Other Sources (if any)            | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
|       | <b>Total</b>                      | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |

^ Average Resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

**4. Investor complaints data for the quarter ending June 2025**

| S.No. | Investor Complaints received from | Pending as at the end of the last quarter | Received | Resolved | Total Pending at the end of the quarter | Pending complaints > 3months | Average Resolution time ^ (in days ) |
|-------|-----------------------------------|---|----------|----------|---|------------------------------|--------------------------------------|
| 1     | Directly from Investors           | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 2     | SEBI (SCORES)                     | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
| 3     | Other Sources (if any)            | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |
|       | <b>Total</b>                      | 0   | 0        | 0        | 0                                       | 0                            | 0                                    |

^ Average Resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

**5. Investor complaints data for last three Financial Years (FY)**

| S.No | FY           | Carried forward from previous FY | Received | Resolved | Pending at the end of FY |
|------|--------------|----------------------------------|----------|----------|--------------------------|
| 1    | 2023-2024    | 0                                | 0        | 0        | 0                        |
| 2    | 2024-2025    | 0                                | 0        | 0        | 0                        |
| 3    | 2025-2026    | 0                                | 1        | 1        | 0                        |
|      | <b>Total</b> | 0                                | 1        | 1        | 0                        |

Notwithstanding anything contained herein above, in all respects the provisions of SEBI Regulations, Circulars, directives Guidelines pertaining to Alternative Investment Funds issued by SEBI/RBI from time to time shall override the conflicting provisions (if any) to this agreement.

# Benchmark Report

March 31, 2025

This Benchmark Report has been provided for the sole purpose of comparing the fund/scheme's performance with Crisil AIF Benchmarks for the launch of new fund and reporting to the existing investors.

## Benchmark Report

### Category-III

#### 1. DSP INDIA ENHANCED EQUITY FUND

##### Trailing returns

| Index                            | 1-year (%) | 2-year (%) | 3-year (%) | 5-year (%) | 7-year (%) | 10-year (%) |
|----------------------------------|------------|------------|------------|------------|------------|-------------|
| Scheme (INR)                     | 15.83      | 19.64      | 14.09      | 12.49      | 11.56      | 12.08       |
| Crisil AIF Index – Cat III (INR) | 9.86       | 20.00      | 12.25      | 22.17      | 12.09      | 11.70       |
| Scheme (USD)                     | 12.84      | 17.27      | 9.58       | 9.68       | 7.27       | 8.63        |
| Crisil AIF Index – Cat III (USD) | 7.03       | 17.62      | 7.81       | 19.11      | 7.79       | 8.27        |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 362 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

Category III includes funds under sub-categories Long-only Equity, Long-short Equity, Hybrid Funds and any other strategies registered under Category III of SEBI (AIF) Regulations, 2012

##### Rolling returns

| Date         | 3-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|--------------|---|--------------------------------------|------------------|--------------------------------------|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2017 | 17.54   | 14.63                                | 14.66            | 11.82                                |
| Sep 30, 2017 | 17.52   | 13.50                                | 15.23            | 11.29                                |
| Dec 31, 2017 | 16.02   | 13.58                                | 15.66            | 13.23                                |
| Mar 31, 2018 | 13.31   | 10.80                                | 11.87            | 9.39                                 |
| Jun 30, 2018 | 13.15   | 10.82                                | 10.44            | 8.16                                 |
| Sep 30, 2018 | 11.56   | 9.32                                 | 7.96             | 5.80                                 |
| Dec 31, 2018 | 11.64   | 8.69                                 | 9.77             | 6.86                                 |
| Mar 31, 2019 | 12.08   | 10.74                                | 10.53            | 9.20                                 |
| Jun 30, 2019 | 11.77   | 7.82                                 | 11.06            | 7.13                                 |
| Sep 30, 2019 | 12.02   | 5.94                                 | 9.85             | 3.89                                 |
| Dec 31, 2019 | 11.79   | 7.94                                 | 10.03            | 6.23                                 |
| Mar 31, 2020 | 9.49  | -2.97                                | 4.13             | -7.72                                |
| Jun 30, 2020 | 9.22  | 0.34                                 | 3.76             | -4.68                                |
| Sep 30, 2020 | 8.04  | 2.36                                 | 3.76             | -1.70                                |

| Date           | 3-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Dec 31, 2020   | 9.94  | 5.90                                 | 5.17             | 1.29                                 |
| Mar 31, 2021   | 10.10   | 8.99                                 | 5.70             | 4.64                                 |
| Jun 30, 2021   | 10.77   | 12.89                                | 7.83             | 9.90                                 |
| Sep 30, 2021   | 12.14   | 18.07                                | 11.27            | 17.16                                |
| Dec 31, 2021   | 11.27   | 18.10                                | 8.97             | 15.66                                |
| Mar 31, 2022   | 9.98  | 15.90                                | 6.67             | 12.42                                |
| Jun 30, 2022   | 8.57  | 13.27                                | 3.77             | 8.27                                 |
| Sep 30, 2022   | 6.79  | 16.01                                | 1.82             | 10.62                                |
| Dec 31, 2022   | 7.59  | 15.23                                | 2.36             | 9.63                                 |
| Mar 31, 2023   | 7.96  | 23.64                                | 4.89             | 20.12                                |
| Jun 30, 2023   | 9.91  | 22.99                                | 6.92             | 19.64                                |
| Sep 30, 2023   | 11.17   | 20.71                                | 6.88             | 16.05                                |
| Dec 31, 2023   | 10.17   | 16.83                                | 5.53             | 11.91                                |
| Mar 31, 2024   | 11.63   | 16.05                                | 7.05             | 11.28                                |
| Jun 30, 2024   | 12.35   | 14.45                                | 8.11             | 10.13                                |
| Sep 30, 2024   | 13.64   | 14.75                                | 9.16             | 10.22                                |
| Dec 31, 2024   | 13.76   | 14.77                                | 8.51             | 9.48                                 |
| Mar 31, 2025   | 14.09   | 12.25                                | 9.58             | 7.81                                 |
| <b>Average</b> | <b>11.47</b>  | <b>12.32</b>                         | <b>8.09</b>      | <b>8.91</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Rolling returns

| Date         | 5-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|--------------|---|--------------------------------------|------------------|--------------------------------------|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2019 | 14.63   | 10.32                                | 11.53            | 7.34                                 |
| Sep 30, 2019 | 15.56   | 8.84                                 | 12.43            | 5.89                                 |
| Dec 31, 2019 | 13.73   | 8.07                                 | 11.08            | 5.55                                 |
| Mar 31, 2020 | 11.67   | 2.14                                 | 7.60             | -1.59                                |
| Jun 30, 2020 | 11.25   | 4.90                                 | 7.55             | 1.41                                 |
| Sep 30, 2020 | 10.22   | 6.98                                 | 7.70             | 4.54                                 |
| Dec 31, 2020 | 11.73   | 10.06                                | 9.60             | 7.96                                 |

| Date           | 5-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Mar 31, 2021   | 11.53   | 11.73                                | 9.27             | 9.46                                 |
| Jun 30, 2021   | 11.52   | 12.47                                | 9.42             | 10.36                                |
| Sep 30, 2021   | 10.94   | 13.38                                | 8.58             | 10.96                                |
| Dec 31, 2021   | 10.90   | 14.22                                | 8.94             | 12.20                                |
| Mar 31, 2022   | 9.75  | 11.94                                | 6.37             | 8.50                                 |
| Jun 30, 2022   | 9.30  | 9.53                                 | 5.05             | 5.28                                 |
| Sep 30, 2022   | 9.11  | 10.28                                | 4.38             | 5.51                                 |
| Dec 31, 2022   | 8.70  | 9.01                                 | 3.22             | 3.52                                 |
| Mar 31, 2023   | 8.48  | 9.07                                 | 3.51             | 4.08                                 |
| Jun 30, 2023   | 9.33  | 11.66                                | 5.48             | 7.72                                 |
| Sep 30, 2023   | 9.99  | 13.53                                | 7.05             | 10.50                                |
| Dec 31, 2023   | 10.85   | 14.93                                | 7.04             | 10.99                                |
| Mar 31, 2024   | 11.27   | 14.92                                | 7.19             | 10.71                                |
| Jun 30, 2024   | 11.87   | 16.57                                | 7.67             | 12.20                                |
| Sep 30, 2024   | 11.90   | 18.94                                | 8.16             | 14.96                                |
| Dec 31, 2024   | 12.07   | 18.50                                | 8.04             | 14.24                                |
| Mar 31, 2025   | 12.49   | 22.17                                | 9.68             | 19.11                                |
| <b>Average</b> | <b>11.20</b>  | <b>11.84</b>                         | <b>7.77</b>      | <b>8.39</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Rolling Returns

| Date         | 7-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|--------------|---|--------------------------------------|------------------|--------------------------------------|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2021 | 13.62   | 12.96                                | 10.22            | 9.58                                 |
| Sep 30, 2021 | 13.75   | 13.36                                | 10.36            | 10.38                                |
| Dec 31, 2021 | 12.53   | 12.49                                | 9.17             | 9.95                                 |
| Mar 31, 2022 | 11.23   | 11.47                                | 7.60             | 8.46                                 |
| Jun 30, 2022 | 10.72   | 10.27                                | 6.49             | 6.95                                 |
| Sep 30, 2022 | 10.36   | 11.42                                | 5.65             | 8.04                                 |
| Dec 31, 2022 | 10.32   | 11.13                                | 5.38             | 7.67                                 |
| Mar 31, 2023 | 9.95  | 11.00                                | 5.14             | 7.65                                 |

| Date           | 7-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2023   | 10.27   | 11.71                                | 5.47             | 8.67                                 |
| Sep 30, 2023   | 9.75  | 11.53                                | 4.80             | 8.08                                 |
| Dec 31, 2023   | 10.71   | 13.10                                | 5.70             | 9.89                                 |
| Mar 31, 2024   | 10.73   | 12.37                                | 5.68             | 8.41                                 |
| Jun 30, 2024   | 11.44   | 12.88                                | 6.34             | 8.86                                 |
| Sep 30, 2024   | 12.12   | 13.90                                | 6.93             | 9.93                                 |
| Dec 31, 2024   | 11.58   | 12.99                                | 6.08             | 8.38                                 |
| Mar 31, 2025   | 11.56   | 12.09                                | 6.07             | 7.79                                 |
| <b>Average</b> | <b>11.29</b>  | <b>12.17</b>                         | <b>6.69</b>      | <b>8.67</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Rolling Returns

| Date           | 10-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|--|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                     | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2024   | 13.24  | 13.40                                | 9.58             | 9.74                                 |
| Sep 30, 2024   | 13.72  | 13.78                                | 10.28            | 10.34                                |
| Dec 31, 2024   | 12.90  | 13.17                                | 9.54             | 9.81                                 |
| Mar 31, 2025   | 12.08  | 11.70                                | 8.63             | 8.27                                 |
| <b>Average</b> | <b>12.98</b>   | <b>13.01</b>                         | <b>9.51</b>      | <b>9.54</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Calendar Year returns

| Index                                   | CYTD <sup>^</sup> | CY24  | CY23  | CY22   | CY21  | CY20  | CY19  | CY18   | CY17  | CY16  | CY15  |
|---|-------------------|-------|-------|--------|-------|-------|-------|--------|-------|-------|-------|
| <b>Scheme (INR)</b>                     | 0.77              | 21.23 | 17.13 | 3.71   | 10.08 | 9.11  | 14.72 | 6.20   | 14.68 | 14.30 | 19.19 |
| <b>Crisil AIF Index – Cat III (INR)</b> | -8.76             | 24.24 | 23.00 | -1.03  | 31.00 | 18.07 | 6.54  | -5.58  | 25.01 | 8.82  | 7.76  |
| <b>Scheme (USD)</b>                     | 0.82              | 17.68 | 16.67 | -6.92  | 8.23  | 6.45  | 12.33 | -2.72  | 21.90 | 11.56 | 13.81 |
| <b>Crisil AIF Index – Cat III (USD)</b> | -8.72             | 20.60 | 22.52 | -11.17 | 28.79 | 15.19 | 4.33  | -13.52 | 32.89 | 6.21  | 2.89  |

<sup>^</sup>till March 2025. Returns for more than one year are annualised

**Quartile analysis (INR)**

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 15.83              | Top Quartile    | 13.64                                | 7.55   | 3.04                                 |
| 2-year (%) | 173            | 19.64              | Third Quartile  | 28.62                                | 21.91  | 14.89                                |
| 3-year (%) | 113            | 14.09              | Second Quartile | 17.66                                | 13.13  | 7.50                                 |
| 5-year (%) | 57             | 12.49              | Bottom Quartile | 32.65                                | 22.57  | 17.10                                |
| 7-year (%) | 19             | 11.56              | Second Quartile | 15.68                                | 10.84  | 7.19                                 |

**Quartile analysis (USD)**

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 12.84              | Top Quartile    | 10.70                                | 4.78   | 0.38                                 |
| 2-year (%) | 173            | 17.27              | Third Quartile  | 26.07                                | 19.49  | 12.61                                |
| 3-year (%) | 113            | 9.58               | Second Quartile | 13.01                                | 8.65   | 3.25                                 |
| 5-year (%) | 57             | 9.68               | Bottom Quartile | 29.33                                | 19.50  | 14.17                                |
| 7-year (%) | 19             | 7.27               | Second Quartile | 11.24                                | 6.58   | 3.07                                 |

First and third quartiles are the return thresholds for the top 25% and 75% schemes, respectively based on the individual scheme's trailing returns for the respective time-frames. Please refer to the annexure for details

For quartile analysis, only those time-frames have been considered that have at least 8 schemes available

Returns above one year are annualised

**Sub-category: Long-short Equity Funds**
**Trailing returns**

| Index  | 1-year (%) | 2-year (%) | 3-year (%) | 5-year (%) | 7-year (%) | 10-year (%) |
|--|------------|------------|------------|------------|------------|-------------|
| Scheme (INR)                                     | 15.83      | 19.64      | 14.09      | 12.49      | 11.56      | 12.08       |
| Crisil AIF Index – Long-short Equity Funds (INR) | 8.59       | 14.47      | 10.90      | 13.58      | 10.00      | 10.75       |
| Scheme (USD)                                     | 12.84      | 17.27      | 9.58       | 9.68       | 7.27       | 8.63        |
| Crisil AIF Index – Long-short Equity Funds (USD) | 5.79       | 12.20      | 6.51       | 10.74      | 5.77       | 7.34        |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 42 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

## Rolling Returns^

| Date         | 3-year annualised rolling returns (quarterly shift) |  |                  |  |
|--------------|---|--|------------------|--|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Sep 30, 2017 | 17.52   | 15.82  | 15.23            | 13.56  |
| Dec 31, 2017 | 16.02   | 14.15  | 15.66            | 13.80  |
| Mar 31, 2018 | 13.31   | 12.52  | 11.87            | 11.09  |
| Jun 30, 2018 | 13.15   | 12.82  | 10.44            | 10.11  |
| Sep 30, 2018 | 11.56   | 11.55  | 7.96             | 7.95   |
| Dec 31, 2018 | 11.64   | 11.33  | 9.77             | 9.45   |
| Mar 31, 2019 | 12.08   | 12.65  | 10.53            | 11.09  |
| Jun 30, 2019 | 11.77   | 10.77  | 11.06            | 10.07  |
| Sep 30, 2019 | 12.02   | 10.20  | 9.85             | 8.06   |
| Dec 31, 2019 | 11.79   | 11.19  | 10.03            | 9.43   |
| Mar 31, 2020 | 9.49  | 4.91   | 4.13             | -0.22  |
| Jun 30, 2020 | 9.22  | 5.85   | 3.76             | 0.55   |
| Sep 30, 2020 | 8.04  | 6.22   | 3.76             | 2.01   |
| Dec 31, 2020 | 9.94  | 8.54   | 5.17             | 3.82   |
| Mar 31, 2021 | 10.10   | 8.88   | 5.70             | 4.54   |
| Jun 30, 2021 | 10.77   | 9.17   | 7.83             | 6.27   |
| Sep 30, 2021 | 12.14   | 11.74  | 11.27            | 10.88  |
| Dec 31, 2021 | 11.27   | 11.22  | 8.97             | 8.92   |
| Mar 31, 2022 | 9.98  | 9.91   | 6.67             | 6.61   |
| Jun 30, 2022 | 8.57  | 8.72   | 3.77             | 3.91   |
| Sep 30, 2022 | 6.79  | 8.65   | 1.82             | 3.60   |
| Dec 31, 2022 | 7.59  | 8.45   | 2.36             | 3.18   |
| Mar 31, 2023 | 7.96  | 13.00  | 4.89             | 9.78   |
| Jun 30, 2023 | 9.91  | 13.11  | 6.92             | 10.03  |
| Sep 30, 2023 | 11.17   | 12.90  | 6.88             | 8.54   |
| Dec 31, 2023 | 10.17   | 11.28  | 5.53             | 6.59   |
| Mar 31, 2024 | 11.63   | 11.61  | 7.05             | 7.02   |
| Jun 30, 2024 | 12.35   | 12.89  | 8.11             | 8.63   |
| Sep 30, 2024 | 13.64   | 12.18  | 9.16             | 7.75   |
| Dec 31, 2024 | 13.76   | 11.45  | 8.51             | 6.30   |

|                |              |              |             |             |
|----------------|--------------|--------------|-------------|-------------|
| Mar 31, 2025   | 14.09        | 10.90        | 9.58        | 6.51        |
| <b>Average</b> | <b>11.27</b> | <b>10.79</b> | <b>7.88</b> | <b>7.42</b> |

<sup>^</sup>Since inception of Crisil AIF Index – Long-short Equity Funds in September 2014

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

## Rolling Returns<sup>^</sup>

| Date           | 5-year annualised rolling returns (quarterly shift) |  |                  |  |
|----------------|---|--|------------------|--|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Sep 30, 2019   | 15.56   | 13.19  | 12.43            | 10.13  |
| Dec 31, 2019   | 13.73   | 11.90  | 11.08            | 9.28   |
| Mar 31, 2020   | 11.67   | 7.99   | 7.60             | 4.05   |
| Jun 30, 2020   | 11.25   | 8.68   | 7.55             | 5.06   |
| Sep 30, 2020   | 10.22   | 8.93   | 7.70             | 6.45   |
| Dec 31, 2020   | 11.73   | 10.70  | 9.60             | 8.59   |
| Mar 31, 2021   | 11.53   | 11.40  | 9.27             | 9.13   |
| Jun 30, 2021   | 11.52   | 10.71  | 9.42             | 8.63   |
| Sep 30, 2021   | 10.94   | 11.11  | 8.58             | 8.74   |
| Dec 31, 2021   | 10.90   | 11.22  | 8.94             | 9.25   |
| Mar 31, 2022   | 9.75  | 9.86   | 6.37             | 6.48   |
| Jun 30, 2022   | 9.30  | 8.95   | 5.05             | 4.72   |
| Sep 30, 2022   | 9.11  | 8.94   | 4.38             | 4.22   |
| Dec 31, 2022   | 8.70  | 8.51   | 3.22             | 3.04   |
| Mar 31, 2023   | 8.48  | 8.26   | 3.51             | 3.30   |
| Jun 30, 2023   | 9.33  | 8.84   | 5.48             | 5.01   |
| Sep 30, 2023   | 9.99  | 9.72   | 7.05             | 6.79   |
| Dec 31, 2023   | 10.85   | 10.67  | 7.04             | 6.88   |
| Mar 31, 2024   | 11.27   | 10.77  | 7.19             | 6.72   |
| Jun 30, 2024   | 11.87   | 11.97  | 7.67             | 7.77   |
| Sep 30, 2024   | 11.90   | 12.30  | 8.16             | 8.55   |
| Dec 31, 2024   | 12.07   | 11.37  | 8.04             | 7.37   |
| Mar 31, 2025   | 12.49   | 13.58  | 9.68             | 10.74  |
| <b>Average</b> | <b>11.05</b>  | <b>10.42</b>   | <b>7.61</b>      | <b>7.00</b>  |

<sup>^</sup>Since inception of Crisil AIF Index – Long-short Equity Funds in September 2014

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

## Rolling Returns<sup>^</sup>

| Date           | 7-year annualised rolling returns (quarterly shift) |  |                  |  |
|----------------|---|--|------------------|--|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Sep 30, 2021   | 13.75   | 12.99  | 10.76            | 10.02  |
| Dec 31, 2021   | 12.53   | 11.71  | 9.99             | 9.20   |
| Mar 31, 2022   | 11.23   | 10.68  | 8.23             | 7.70   |
| Jun 30, 2022   | 10.72   | 10.11  | 7.39             | 6.80   |
| Sep 30, 2022   | 10.36   | 10.12  | 7.02             | 6.78   |
| Dec 31, 2022   | 10.32   | 10.06  | 6.88             | 6.63   |
| Mar 31, 2023   | 9.95  | 10.22  | 6.63             | 6.89   |
| Jun 30, 2023   | 10.27   | 10.03  | 7.27             | 7.03   |
| Sep 30, 2023   | 9.75  | 9.85   | 6.36             | 6.45   |
| Dec 31, 2023   | 10.71   | 10.83  | 7.57             | 7.69   |
| Mar 31, 2024   | 10.73   | 10.49  | 6.83             | 6.60   |
| Jun 30, 2024   | 11.44   | 11.20  | 7.48             | 7.25   |
| Sep 30, 2024   | 12.12   | 11.45  | 8.22             | 7.57   |
| Dec 31, 2024   | 11.58   | 10.57  | 7.02             | 6.05   |
| Mar 31, 2025   | 11.56   | 10.00  | 7.27             | 5.77   |
| <b>Average</b> | <b>11.14</b>  | <b>10.69</b>   | <b>7.66</b>      | <b>7.23</b>  |

<sup>^</sup>Since inception of Crisil AIF Index – Long-short Equity Funds in September 2014

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

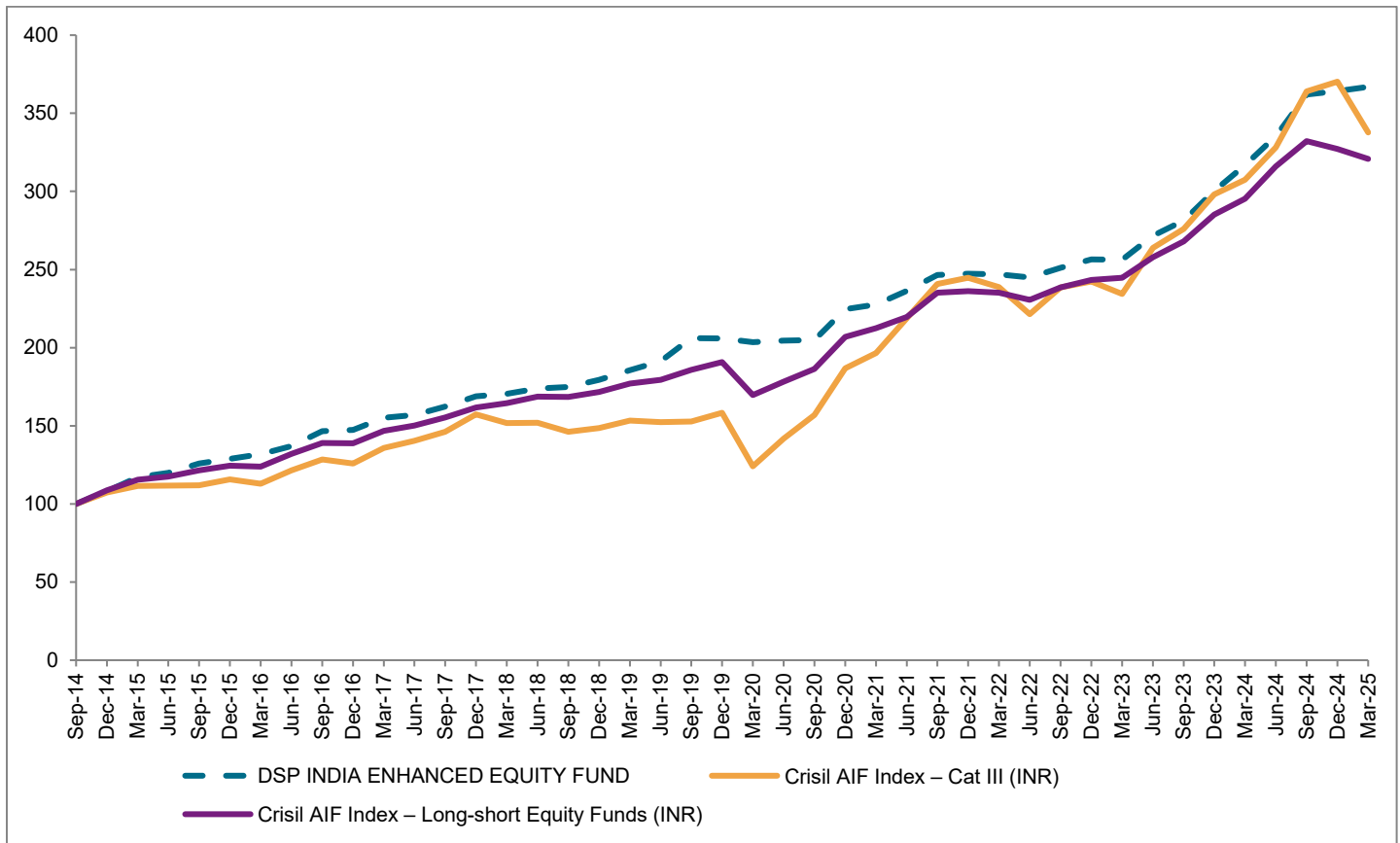
## Rolling Returns<sup>^</sup>

| Date           | 10-year annualised rolling returns (quarterly shift) |  |                  |  |
|----------------|--|--|------------------|--|
|                | Scheme (INR) (%)                                     | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Sep 30, 2024   | 13.75  | 12.99  | 10.76            | 10.02  |
| Dec 31, 2024   | 12.53  | 11.71  | 9.99             | 9.20   |
| Mar 31, 2025   | 11.23  | 10.68  | 8.23             | 7.70   |
| <b>Average</b> | <b>12.50</b>   | <b>11.80</b>   | <b>9.66</b>      | <b>8.97</b>  |

<sup>^</sup>Since inception of Crisil AIF Index – Long-short Equity Funds in September 2014

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

**Growth of 100<sup>^</sup>**



<sup>^</sup>Since inception of Crisil AIF Index - Long-short Equity Funds in September 2014

## 2. DSP INDIA ENHANCED EQUITY SATCORE FUND

### Trailing returns

| Index                            | 1-year (%) | 2-year (%) | 3-year (%) | 5-year (%) | 7-year (%) |
|----------------------------------|------------|------------|------------|------------|------------|
| Scheme (INR)                     | 14.48      | 18.54      | 13.13      | 11.82      | 10.84      |
| Crisil AIF Index – Cat III (INR) | 9.86       | 20.00      | 12.25      | 22.17      | 12.09      |
| Scheme (USD)                     | 11.52      | 16.19      | 8.65       | 9.02       | 6.58       |
| Crisil AIF Index – Cat III (USD) | 7.03       | 17.62      | 7.81       | 19.11      | 7.79       |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 362 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

Category III includes funds under sub-categories Long-only Equity, Long-short Equity, Hybrid Funds and any other strategies registered under Category III of SEBI (AIF) Regulations, 2012

### Rolling returns

| Date         | 3-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|--------------|---|--------------------------------------|------------------|--------------------------------------|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Mar 31, 2020 | 8.59  | -2.97                                | 3.28             | -7.72                                |
| Jun 30, 2020 | 8.49  | 0.34                                 | 3.06             | -4.68                                |
| Sep 30, 2020 | 7.53  | 2.36                                 | 3.27             | -1.70                                |
| Dec 31, 2020 | 9.52  | 5.90                                 | 4.76             | 1.29                                 |
| Mar 31, 2021 | 9.57  | 8.99                                 | 5.20             | 4.64                                 |
| Jun 30, 2021 | 10.26   | 12.89                                | 7.33             | 9.90                                 |
| Sep 30, 2021 | 11.65   | 18.07                                | 10.79            | 17.16                                |
| Dec 31, 2021 | 10.77   | 18.10                                | 8.48             | 15.66                                |
| Mar 31, 2022 | 9.55  | 15.90                                | 6.26             | 12.42                                |
| Jun 30, 2022 | 8.13  | 13.27                                | 3.35             | 8.27                                 |
| Sep 30, 2022 | 6.35  | 16.01                                | 1.40             | 10.62                                |
| Dec 31, 2022 | 7.13  | 15.23                                | 1.92             | 9.63                                 |
| Mar 31, 2023 | 7.55  | 23.64                                | 4.49             | 20.12                                |
| Jun 30, 2023 | 9.33  | 22.99                                | 6.36             | 19.64                                |
| Sep 30, 2023 | 10.47   | 20.71                                | 6.20             | 16.05                                |
| Dec 31, 2023 | 9.40  | 16.83                                | 4.80             | 11.91                                |
| Mar 31, 2024 | 10.92   | 16.05                                | 6.36             | 11.28                                |

| Date           | 3-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Jun 30, 2024   | 11.56   | 14.45                                | 7.35             | 10.13                                |
| Sep 30, 2024   | 12.83   | 14.75                                | 8.38             | 10.22                                |
| Dec 31, 2024   | 12.92   | 14.77                                | 7.71             | 9.48                                 |
| Mar 31, 2025   | 13.13   | 12.25                                | 8.65             | 7.81                                 |
| <b>Average</b> | <b>9.79</b>   | <b>13.36</b>                         | <b>5.68</b>      | <b>9.15</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Rolling returns

| Date           | 5-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Mar 31, 2022   | 9.11  | 11.94                                | 5.75             | 8.50                                 |
| Jun 30, 2022   | 8.66  | 9.53                                 | 4.44             | 5.28                                 |
| Sep 30, 2022   | 8.53  | 10.28                                | 3.83             | 5.51                                 |
| Dec 31, 2022   | 8.16  | 9.01                                 | 2.71             | 3.52                                 |
| Mar 31, 2023   | 7.89  | 9.07                                 | 2.96             | 4.08                                 |
| Jun 30, 2023   | 8.73  | 11.66                                | 4.90             | 7.72                                 |
| Sep 30, 2023   | 9.40  | 13.53                                | 6.48             | 10.50                                |
| Dec 31, 2023   | 10.26   | 14.93                                | 6.48             | 10.99                                |
| Mar 31, 2024   | 10.71   | 14.92                                | 6.65             | 10.71                                |
| Jun 30, 2024   | 11.27   | 16.57                                | 7.09             | 12.20                                |
| Sep 30, 2024   | 11.30   | 18.94                                | 7.58             | 14.96                                |
| Dec 31, 2024   | 11.40   | 18.50                                | 7.39             | 14.24                                |
| Mar 31, 2025   | 11.82   | 22.17                                | 9.02             | 19.11                                |
| <b>Average</b> | <b>9.79</b>   | <b>13.93</b>                         | <b>5.79</b>      | <b>9.79</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Rolling returns

| Date           | 7-year annualised rolling returns (quarterly shift) |                                      |                  |                                      |
|----------------|---|--------------------------------------|------------------|--------------------------------------|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Cat III (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Cat III (USD) (%) |
| Mar 31, 2024   | 10.06   | 12.37                                | 6.18             | 8.41                                 |
| Jun 30, 2024   | 10.75   | 12.88                                | 6.83             | 8.86                                 |
| Sep 30, 2024   | 11.47   | 13.90                                | 7.46             | 9.93                                 |
| Dec 31, 2024   | 10.92   | 12.99                                | 6.60             | 8.38                                 |
| Mar 31, 2025   | 10.84   | 12.09                                | 6.53             | 7.79                                 |
| <b>Average</b> | <b>10.81</b>  | <b>12.85</b>                         | <b>6.72</b>      | <b>8.67</b>                          |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Category-III funds

## Calendar Year returns

| Index                            | CYTD <sup>^</sup> | CY24  | CY23  | CY22   | CY21  | CY20  | CY19  | CY18   |
|----------------------------------|-------------------|-------|-------|--------|-------|-------|-------|--------|
| Scheme (INR)                     | 0.39              | 20.13 | 16.22 | 3.17   | 9.21  | 9.14  | 14.06 | 5.54   |
| Crisil AIF Index – Cat III (INR) | -8.76             | 24.24 | 23.00 | -1.03  | 31.00 | 18.07 | 6.54  | -5.58  |
| Scheme (USD)                     | 0.43              | 16.61 | 15.75 | -7.40  | 7.38  | 6.48  | 11.69 | -3.32  |
| Crisil AIF Index – Cat III (USD) | -8.72             | 20.60 | 22.52 | -11.17 | 28.79 | 15.19 | 4.33  | -13.52 |

<sup>^</sup>till March 2025. Returns for more than one year are annualised

## Quartile analysis (INR)

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 14.48              | Top Quartile    | 13.64                                | 7.55   | 3.04                                 |
| 2-year (%) | 173            | 18.54              | Third Quartile  | 28.62                                | 21.91  | 14.89                                |
| 3-year (%) | 113            | 13.13              | Second Quartile | 17.66                                | 13.13  | 7.50                                 |
| 5-year (%) | 57             | 11.82              | Bottom Quartile | 32.65                                | 22.57  | 17.10                                |
| 7-year (%) | 19             | 10.84              | Second Quartile | 15.68                                | 10.84  | 7.19                                 |

**Quartile analysis (USD)**

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 11.52              | Top Quartile    | 10.70                                | 4.78   | 0.38                                 |
| 2-year (%) | 173            | 16.19              | Third Quartile  | 26.07                                | 19.49  | 12.61                                |
| 3-year (%) | 113            | 8.65               | Second Quartile | 13.01                                | 8.65   | 3.25                                 |
| 5-year (%) | 57             | 9.02               | Bottom Quartile | 29.33                                | 19.50  | 14.17                                |
| 7-year (%) | 19             | 6.58               | Second Quartile | 11.24                                | 6.58   | 3.07                                 |

First and third quartiles are the return thresholds for the top 25% and 75% schemes, respectively based on the individual scheme's trailing returns for the respective time-frames. Please refer to the annexure for details

For quartile analysis, only those time-frames have been considered that have at least 8 schemes available

Returns above one year are annualised

**Sub-category: Long-short Equity Funds**
**Trailing returns**

| Index  | 1-year (%) | 2-year (%) | 3-year (%) | 5-year (%) | 7-year (%) |
|--|------------|------------|------------|------------|------------|
| Scheme (INR)                                     | 14.48      | 18.54      | 13.13      | 11.82      | 10.84      |
| Crisil AIF Index – Long-short Equity Funds (INR) | 8.59       | 14.47      | 10.90      | 13.58      | 10.00      |
| Scheme (USD)                                     | 11.52      | 16.19      | 8.65       | 9.02       | 6.58       |
| Crisil AIF Index – Long-short Equity Funds (USD) | 5.79       | 12.20      | 6.51       | 10.74      | 5.77       |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 42 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

**Rolling Returns**

| Date         | 3-year annualised rolling returns (quarterly shift) |  |                  |  |
|--------------|---|--|------------------|--|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Mar 31, 2020 | 8.59  | 4.91   | 3.28             | -0.22  |
| Jun 30, 2020 | 8.49  | 5.85   | 3.06             | 0.55   |
| Sep 30, 2020 | 7.53  | 6.22   | 3.27             | 2.01   |
| Dec 31, 2020 | 9.52  | 8.54   | 4.76             | 3.82   |
| Mar 31, 2021 | 9.57  | 8.88   | 5.20             | 4.54   |
| Jun 30, 2021 | 10.26   | 9.17   | 7.33             | 6.27   |
| Sep 30, 2021 | 11.65   | 11.74  | 10.79            | 10.88  |

| Date           | 3-year annualised rolling returns (quarterly shift) |  |                  |  |
|----------------|---|--|------------------|--|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Dec 31, 2021   | 10.77   | 11.22  | 8.48             | 8.92   |
| Mar 31, 2022   | 9.55  | 9.91   | 6.26             | 6.61   |
| Jun 30, 2022   | 8.13  | 8.72   | 3.35             | 3.91   |
| Sep 30, 2022   | 6.35  | 8.65   | 1.40             | 3.60   |
| Dec 31, 2022   | 7.13  | 8.45   | 1.92             | 3.18   |
| Mar 31, 2023   | 7.55  | 13.00  | 4.49             | 9.78   |
| Jun 30, 2023   | 9.33  | 13.11  | 6.36             | 10.03  |
| Sep 30, 2023   | 10.47   | 12.90  | 6.20             | 8.54   |
| Dec 31, 2023   | 9.40  | 11.28  | 4.80             | 6.59   |
| Mar 31, 2024   | 10.92   | 11.61  | 6.36             | 7.02   |
| Jun 30, 2024   | 11.56   | 12.89  | 7.35             | 8.63   |
| Sep 30, 2024   | 12.83   | 12.18  | 8.38             | 7.75   |
| Dec 31, 2024   | 12.92   | 11.45  | 7.71             | 6.30   |
| Mar 31, 2025   | 13.13   | 10.90  | 8.65             | 6.51   |
| <b>Average</b> | <b>9.79</b>   | <b>10.08</b>   | <b>5.68</b>      | <b>5.96</b>  |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

## Rolling Returns

| Date         | 5-year annualised rolling returns (quarterly shift) |  |                  |  |
|--------------|---|--|------------------|--|
|              | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Mar 31, 2022 | 9.11  | 9.86   | 5.75             | 6.48   |
| Jun 30, 2022 | 8.66  | 8.95   | 4.44             | 4.72   |
| Sep 30, 2022 | 8.53  | 8.94   | 3.83             | 4.22   |
| Dec 31, 2022 | 8.16  | 8.51   | 2.71             | 3.04   |
| Mar 31, 2023 | 7.89  | 8.26   | 2.96             | 3.30   |
| Jun 30, 2023 | 8.73  | 8.84   | 4.90             | 5.01   |
| Sep 30, 2023 | 9.40  | 9.72   | 6.48             | 6.79   |
| Dec 31, 2023 | 10.26   | 10.67  | 6.48             | 6.88   |
| Mar 31, 2024 | 10.71   | 10.77  | 6.65             | 6.72   |
| Jun 30, 2024 | 11.27   | 11.97  | 7.09             | 7.77   |

|                |             |              |             |             |
|----------------|-------------|--------------|-------------|-------------|
| Sep 30, 2024   | 11.30       | 12.30        | 7.58        | 8.55        |
| Dec 31, 2024   | 11.40       | 11.37        | 7.39        | 7.37        |
| Mar 31, 2025   | 11.82       | 13.58        | 9.02        | 10.74       |
| <b>Average</b> | <b>9.79</b> | <b>10.29</b> | <b>5.79</b> | <b>6.28</b> |

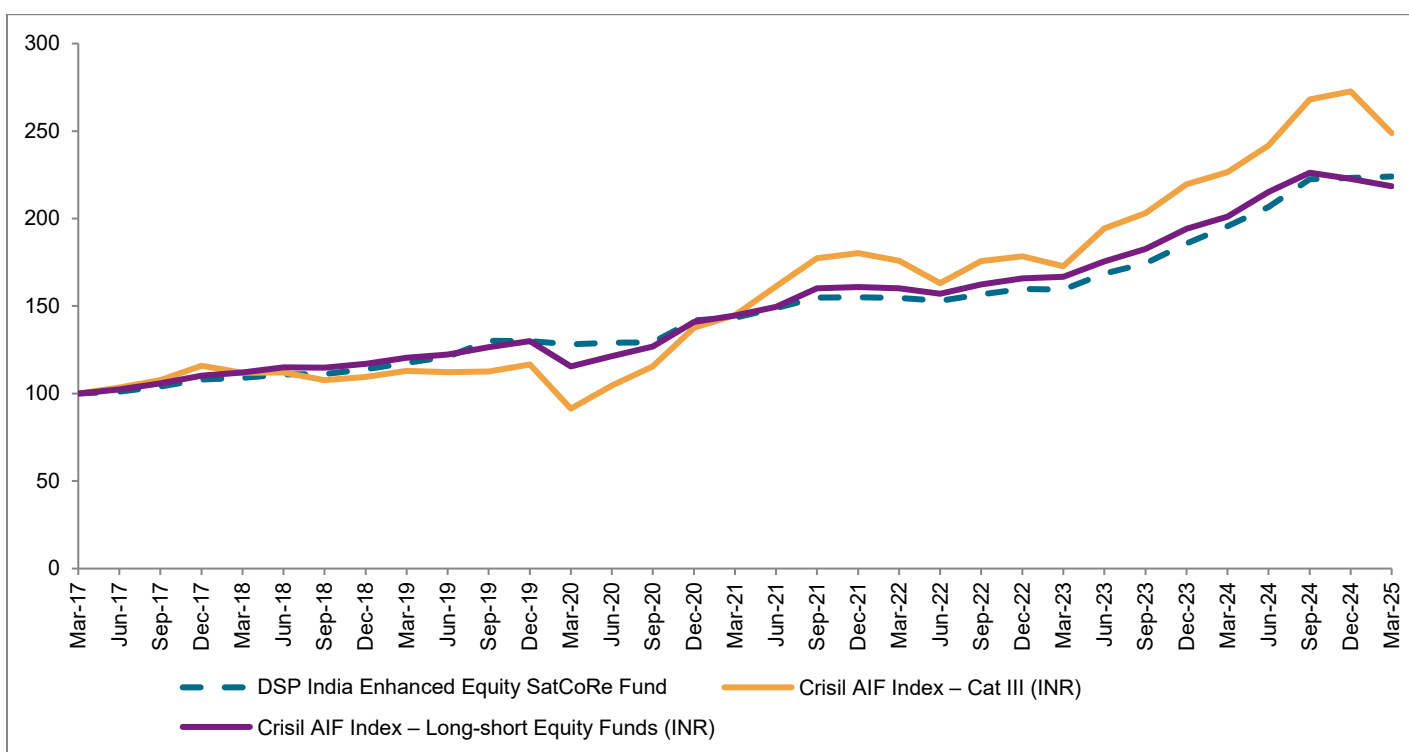
The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

## Rolling Returns

| Date           | 7-year annualised rolling returns (quarterly shift) |  |                  |  |
|----------------|---|--|------------------|--|
|                | Scheme (INR) (%)                                    | Crisil AIF Index – Long-short Equity Funds (INR) (%) | Scheme (USD) (%) | Crisil AIF Index – Long-short Equity Funds (USD) (%) |
| Mar 31, 2024   | 10.06   | 10.49  | 6.18             | 6.60   |
| Jun 30, 2024   | 10.75   | 11.20  | 6.81             | 7.25   |
| Sep 30, 2024   | 11.47   | 11.45  | 7.58             | 7.57   |
| Dec 31, 2024   | 10.92   | 10.57  | 6.39             | 6.05   |
| Mar 31, 2025   | 10.84   | 10.00  | 6.58             | 5.77   |
| <b>Average</b> | <b>10.81</b>  | <b>10.74</b>   | <b>6.71</b>      | <b>6.65</b>  |

The above values of rolling returns for the benchmark have been updated historically due to increased/revised coverage of Long-short Equity Funds

## Growth of 100



### 3. DSP High Conviction Fund Series 2

#### Trailing returns

| Index                            | 1-year (%) | 2-year (%) | 3-year (%) |
|----------------------------------|------------|------------|------------|
| Scheme (INR)                     | 10.29      | 19.97      | 13.54      |
| Crisil AIF Index – Cat III (INR) | 9.86       | 20.00      | 12.25      |
| Scheme (USD)                     | 7.44       | 17.59      | 9.05       |
| Crisil AIF Index – Cat III (USD) | 7.03       | 17.62      | 7.81       |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 362 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

Category III includes funds under sub-categories Long-only Equity, Long-short Equity, Hybrid Funds and any other strategies registered under Category III of SEBI (AIF) Regulations, 2012

#### Calendar Year returns

| Index                            | CYTD <sup>^</sup> | CY24  | CY23  |
|----------------------------------|-------------------|-------|-------|
| Scheme (INR)                     | -4.44             | 17.30 | 26.11 |
| Crisil AIF Index – Cat III (INR) | -8.76             | 24.24 | 23.00 |
| Scheme (USD)                     | -4.39             | 13.86 | 25.61 |
| Crisil AIF Index – Cat III (USD) | -8.72             | 20.60 | 22.52 |

<sup>^</sup>till March 2025. Returns for more than one year are annualised

#### Quartile analysis (INR)

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 10.29              | Second Quartile | 13.64                                | 7.55   | 3.04                                 |
| 2-year (%) | 173            | 19.97              | Third Quartile  | 28.62                                | 21.91  | 14.89                                |
| 3-year (%) | 113            | 13.54              | Second Quartile | 17.66                                | 13.13  | 7.50                                 |

**Quartile analysis (USD)**

| Period     | No. of schemes | Scheme returns (%) | Scheme quartile | Trailing returns (%)                 |        |                                      |
|------------|----------------|--------------------|-----------------|--------------------------------------|--------|--------------------------------------|
|            |                |                    |                 | 1st Quartile (Threshold for top 25%) | Median | 3rd Quartile (Threshold for top 75%) |
| 1-year (%) | 231            | 7.44               | Second Quartile | 10.70                                | 4.78   | 0.38                                 |
| 2-year (%) | 173            | 17.59              | Third Quartile  | 26.07                                | 19.49  | 12.61                                |
| 3-year (%) | 113            | 9.05               | Second Quartile | 13.01                                | 8.65   | 3.25                                 |

First and third quartiles are the return thresholds for the top 25% and 75% schemes, respectively based on the individual scheme's trailing returns for the respective time-frames. Please refer to the annexure for details

For quartile analysis, only those time-frames have been considered that have at least 8 schemes available

Returns above one year are annualised

**Sub-category:**
**1. Long-only Equity Funds**
**Trailing returns**

| Index   | 1-year (%) | 2-year (%) | 3-year (%) |
|---|------------|------------|------------|
| Scheme (INR)                                    | 10.29      | 19.97      | 13.54      |
| Crisil AIF Index – Long-only Equity Funds (INR) | 9.83       | 22.34      | 12.84      |
| Scheme (USD)                                    | 7.44       | 17.59      | 9.05       |
| Crisil AIF Index – Long-only Equity Funds (USD) | 7.00       | 19.92      | 8.38       |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 266 schemes have been considered for the above analysis

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

**2. Long-only Equity Funds (Closed-ended)**
**Trailing returns**

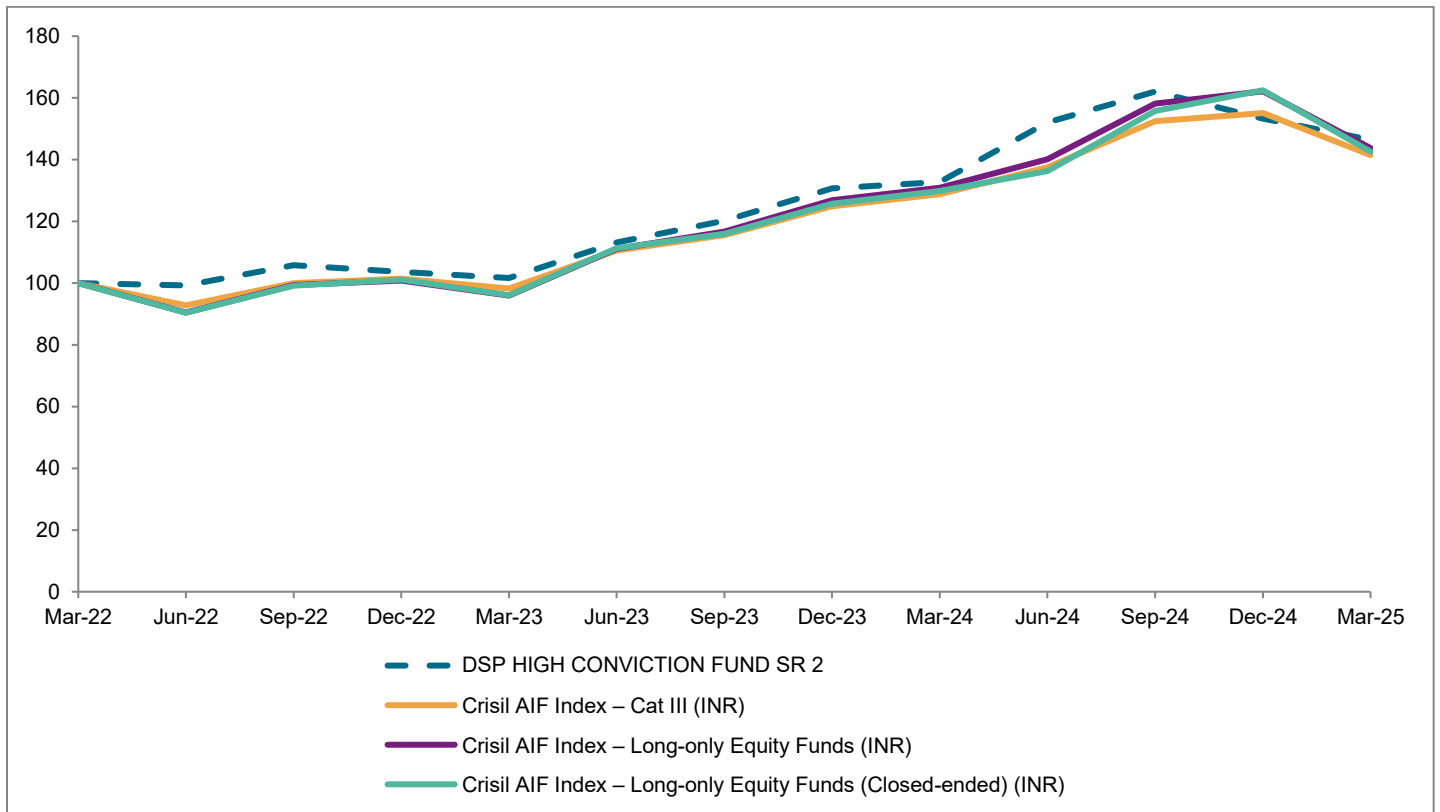
| Index   | 1-year (%) | 2-year (%) | 3-year (%) |
|---|------------|------------|------------|
| Scheme (INR)  | 10.29      | 19.97      | 13.54      |
| Crisil AIF Index – Long-only Equity Funds (close-ended) (INR) | 9.86       | 21.85      | 12.55      |
| Scheme (USD)  | 7.44       | 17.59      | 9.05       |
| Crisil AIF Index – Long-only Equity Funds (close-ended) (USD) | 7.03       | 19.43      | 8.09       |

Values as on March 31, 2025

Schemes that have completed at least one year since their first close as on March 31, 2025, have been considered for the benchmark. In all, 180 schemes have been considered for the above analysis.

Returns refer to post-expense, pre-carry, pre-tax values. Returns for more than one year are annualised

**Growth of 100**



## Annexure

### Methodology, definitions, and eligibility criteria

#### Vintage year

Benchmarks for Category I and II are calculated based on their vintage years. Vintage year is defined as the financial year in which the scheme had its first close, i.e., the vintage year of a fund will be FY14 if it had its first close between April 1, 2013, and March 31, 2014.

Only those vintage years are considered that have at least three schemes available; those with less than three schemes have been excluded.

#### Calculation metrics

The benchmarks for Category I and II are based on the following metrics:

##### Pooled internal rate of return (IRR)

Pooled IRR denotes the IRR calculated at an aggregate level by pooling all the cash flows that have occurred within all the schemes belonging to the category and the vintage year. Here the cash flows are considered according to the date on which they have occurred and the valuation as on the last day is considered as the terminal value for the calculation.

##### Investment multiples and ratios

Three types of ratios are considered for calculation of benchmarks – distributions to paid-in capital (DPI), residual value to paid-in capital (RVPI) and total value to paid-in capital (TVPI). All the three are calculated for each applicable vintage year.

**DPI:** It is the ratio of the total distributions made to the paid-in capital. DPI is also called 'realisation multiple'.

**RVPI:** It is the ratio of the residual value of all investments remaining in the fund after distributions to paid-in capital. The residual value refers to the valuation of the scheme as on the date for which the benchmarks have been calculated.

**TVPI:** It is the ratio of the sum of total distributions and residual value, to the total paid-in capital. It is also called 'investment multiple'.

##### Quartile analysis

For understanding the distribution of IRR across the peer set, the returns for all the individual funds are calculated. First quartile, median and third quartile thresholds are reported. First and third quartiles are the return thresholds for the top 25% and 75% schemes, respectively, based on the individual scheme IRRs and TVPIs in each vintage year. Thus, any fund with an IRR value above first quartile threshold belongs to the top quartile, similarly a fund with IRR value between first quartile and median belongs to the second quartile, and so on. Funds with returns below the third quartile belongs to the bottom quartile.

For Category III funds, quartile analysis is based on the individual fund's trailing returns for various timeframes. Those funds have been considered that have been in existence as of March 31, 2025, and present for the whole time period.

For quartile analysis, only those vintage years have been considered where at least eight schemes are available.

##### Public market equivalent

Public market equivalent (PME+) as a metric helps in comparing the performance of an AIF against any public index. The PME+ method tries to replicate the cash flows of the AIF to a public index. The cash flows, depending on whether it is an inflow or outflow, are invested and distributed to and from the public index on the same dates as that of the AIF. The

distributions are adjusted using a scaling factor to avoid a situation where the public index is oversold and results in the negative terminal value.

### **Outlier adjustment**

Outlier adjustment has been carried out for sub-category benchmarks under category I and II whereby, those schemes that have IRR beyond a defined threshold on the higher side have been excluded from the respective benchmarks. In all 7 schemes were excluded from all sub-category benchmarks because of this outlier adjustment.

The benchmark for Category III is based on the following metric:

### **Asset-weighted index**

For Category III schemes, an asset-weighted index at the category level is created based on the quarterly returns of each scheme and the respective assets under management for those schemes.

The index is created from the quarter in which at least three schemes were available, i.e. June 2013.

### **Eligibility criteria**

- All AIFs registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012, are considered for the calculation of benchmarks provided they fulfil the following criteria:
  - The scheme has completed one year from its first close as on the date for which the benchmarks are calculated. For example, AIF benchmark calculated for the period ending March 31, 2025, will have funds that had their first close on or before March 31, 2024
  - Data is provided by the AIF in the required format within the specified deadline
- The following are excluded from calculation of benchmarks:
  - Angel funds registered under sub-category VCF under Category I-AIF
  - Fund of funds
  - Any scheme that has not had any transactions or investments anytime in the past
  - Any scheme that has not completed one year since its first close as on the date for which the benchmarks are calculated, i.e., March 31, 2025
  - Any scheme that has not provided complete data or that has not provided data in the required format
- Schemes are divided based on their vintage years as described in the previous section. Only those vintage years are considered that have at least three funds available. Thus, schemes that belong to vintage years in which less than three schemes were available are excluded
- For quartile analysis, only those vintage years have been considered where at least eight schemes are available

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