



STATEMENT OF ADDITIONAL INFORMATION

Name of Mutual Fund	Motilal Oswal Mutual Fund
Name of Asset Management Company	Motilal Oswal Asset Management Company Limited
Name of Trustee Company	Motilal Oswal Trustee Company Limited
Address	81/82, Bajaj Bhavan, Nariman Point, Mumbai - 400021
Website	www.motilaloswal.com/assetmanagement www.mostshares.com

This Statement of Additional Information (SAI) contains details of MOTILAL OSWAL MUTUAL FUND, its constitution and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document).

This SAI is dated June 29, 2011.

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STATEMENT OF ADDITIONAL INFORMATION (SAI)

I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANY

A. Constitution of the Mutual Fund

Motilal Oswal Mutual Fund (“Mutual Fund”) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882). Motilal Oswal Securities Limited is the Sponsor and Motilal Oswal Trustee Company Limited is the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI under SEBI (Mutual Funds) Regulations, 1996 on December 29, 2009 under Registration vide Code No. MF/063/09/04.

B. Sponsor

Motilal Oswal Mutual Fund is sponsored by **Motilal Oswal Securities Limited**. The Sponsor is the Settlor of the Mutual Fund Trust. The Settlor has entrusted a sum of Rs. 1,00,000/- to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

Motilal Oswal Securities Limited (“**MOSL**”) was incorporated under the Companies Act, 1956. It is subsidiary of Motilal Oswal Financial Services Limited which is listed on National Stock Exchange and Bombay Stock Exchange. MOSL is engaged in the business of stock broking and depository services. MOSL is a member of Bombay Stock Exchange, National Stock Exchange and Over The Counter Exchange of India (OTCEI) and is a Depository Participant with National Securities Depository Limited and Central Depository Services (India)Limited. The registered office of MOSL is at Palm Spring Centre, 2nd Floor, New Link Road, Malad - (West) Mumbai - 400064.

Following is the Financial Performance (Audited) of the Sponsor:

	2010-11	2009-10	2008-09
Net Worth	554.45	467.37	348.23
Total Income	487.11	515.90	355.15
Profit after Tax	100.80	119.14	42.42

(Rs. in Crores)

C. The Trustee

Motilal Oswal Trustee Company Ltd. (the “Trustee”), through its Board of Directors, shall discharge its obligations as Trustee of Motilal Oswal Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

Details of Trustee Directors:

Name	Age/Qualification	Brief Experience
Mr. Motilal Oswal Associate Director	48 years / B.Com, ACA	<p>Mr. Oswal is a Managing Director of Motilal Oswal Financial Services Ltd. He has varied experience of over 2 decades in the financial service sector.</p> <p>Mr. Oswal has served on the governing board of the Bombay Stock Exchange (BSE) as a Director. He has also been member of the National Stock Exchange (NSE) committee for F&O and a member of the Managing Committee of Indian Merchants' Chamber (IMC).</p> <p>He is on the Board of Jain International Trade Organisation (JITO). He is also a Director on the Board of various Companies.</p>
Mr. Nitin Potdar Independent Director	47 years / B.A., L.L.B.	<p>Mr. Potdar is associated as a Partner with J. Sagar Associates, a premier law firm. Mr. Potdar has rich and varied experience of over 19 years in corporate laws particularly in the field of Merger and Amalgamation and Foreign Direct Investment in India. He is also associated with the Indian Academy of Corporate Laws, a non-profit making organisation, as founder member.</p> <p>Mr. Potdar was part of the Working Group of International Bar Association- Antitrust Section and also Indian Advisory Group and has worked as an Indian Partner with the team working on the 'Doing Business 2008', a report prepared by World Bank and International Finance Corporation.</p> <p>Mr. Potdar is also a member of the Corporate Membership Committee of the Chamber of Tax Consultants.</p> <p>He is also a Director on the Board of various Companies.</p>
Mr. Sunil Goyal Independent Director	43 years / B.Com, FCA	<p>Mr. Goyal is the Managing Director of Ladderup Finance Limited and Ladderup Corporate Advisory Private Limited.</p> <p>He has rich and varied experience of more than 18 years in the field of Financial and Management Consultancy, providing expertise and sound</p>

Name	Age/Qualification	Brief Experience
		<p>networking for wealth management operations, advising in mergers and acquisitions, private equity, debt transaction advisory, etc.</p> <p>He was the Chairman of the Western India Region Council (WIRC) of the Institute of Chartered Accountants of India (ICAI) 2006-07. He is also a member of the SME Chamber of Commerce, TiE Mumbai (a global non-for-profit organisation focused on promoting entrepreneurship) and Mumbai Angels.</p> <p>He is also associated as Director on the Board of various Companies.</p>

Duties and Responsibilities of the Trustee

The duties and responsibilities of the Trustee shall be in accordance with Regulation 18 under Chapter III of the Regulations and Trust Deed. The Trustees shall discharge such duties and responsibilities as provided in the Regulations and Trust Deed.

The Trust Deed contains among others, the following clauses that may be material to the investors:

1. The Trustee shall maintain arms length relationship with companies, institutions, financial intermediaries or bodies corporate with which the Trustee may be associated in any capacity in carrying out their responsibilities.
2. A Director shall not participate in the meetings of the Trustee Company when any decisions for investments in which he may be interested are taken.
3. Each Director of the Trustee shall furnish particulars of interest which he may have in any other company or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he/she may be associated in any other capacity.
4. The Trustee shall take into their custody or under their control all the property of the Schemes of the Mutual Fund and hold it in trust for the unit-holders.
5. It shall be the duty of the Trustee to act in the interest of the unit holders.
6. It shall be the duty of the Trustee to provide or cause to provide information to the unit holders and SEBI as may be required by SEBI from time to time.
7. The Trustee shall take reasonable care to ensure that the funds under various Schemes floated, are managed by the AMC in accordance with the Trust Deed and SEBI Regulations.
8. The Trustee have powers to dismiss the AMC under the specific events with the prior approval of the Board in accordance with the regulations.
9. The Trustee shall supervise the collection of any income due to be paid to the scheme and for claiming any repayment of tax and holding any income received in trust for the holders.
10. The Trustee shall not acquire nor allow the AMC to acquire any assets out of the Trust Fund and/or unit capital which involves the assumption of unlimited

- liability or results in the encumbrances of Trust Fund and/or unit capital in any way.
11. No amendments to the Trust Deed shall be carried out without the prior approval of SEBI and unit holder's approval would be obtained where it affects the interest of Unit holders in such manner as may be prescribed by SEBI from time to time.

Other Duties and Responsibilities of Trustees

1. The Trustee is responsible for entering into an Investment Management Agreement with the AMC by which the latter is entrusted with the task of floating and managing the Schemes of Mutual Fund.
2. The Investment Management Agreement shall contain such clauses as are mentioned in the Fourth Schedule of SEBI Regulations and such other clauses as are necessary for the purpose of making investments.
3. The Trustee shall have the right to obtain from the AMC such information as is considered necessary by the Trustee and shall review all reports and compliance procedures from the AMC.
4. The Trustee shall ensure before the launch of any Scheme that the AMC has:
 - a. Systems in place for its back office, dealing room and accounting;
 - b. Appointed all key personnel including fund manager(s) for the Scheme and submitted to the Trustee their bio-data which shall contain the educational qualifications, past experience in the securities market within fifteen days of their appointment;
 - c. Appointed auditors to audit the accounts of the Scheme;
 - d. Appointed a compliance officer who will be responsible for monitoring compliance with Act, Rules and regulations, notifications, guidelines and instructions issued by the SEBI or the Central Government and to redress investor grievances;
 - e. Appointed registrars and lay down parameters for their supervision;
 - f. Prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - g. Specified norms for empanelment of brokers and marketing agents; and
 - h. Obtained, wherever required under the regulations, prior in-principle approval from the recognised stock exchange(s) where units are proposed to be listed.
5. The Trustee shall ensure that the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
6. The Trustee shall ensure that the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to the interest of the holders of the units.
7. The Trustee shall ensure that the transactions entered into by the AMC are in accordance with the Regulations and the Schemes.
8. The Trustee shall ensure that the AMC has been managing the Mutual Fund Schemes independently of other activities and have taken adequate steps to ensure that the interest of the investors of the Schemes are not being compromised with those of any other Scheme or of other activities of the AMC.

9. The Trustee are required to ensure that all the activities of the AMC are in accordance with the provisions of the Regulations and shall exercise general and specific due diligence as required under the Regulations.
10. Where the Trustee have reason to believe that the conduct of the business of the Fund is not in accordance with these Regulations and the provisions of the Schemes launched there under, they shall forthwith take such remedial steps as are necessary by them and to immediately inform SEBI of the violation and the action taken by it.
11. Each Trustee shall file the details of his transactions of dealings in securities with the Mutual Fund as may be specified under the SEBI (Mutual Funds) Regulations, 1996 from time to time.
12. The Trustee shall be accountable for and is required to be the custodian of the Fund's property of the Schemes and to hold the same in trust for the benefit of the Unit holders in accordance with the Regulations and the provisions of the Trust Deed.
13. The Trustee shall take steps to ensure that the transactions of the Fund are in accordance with the provisions of the Trust Deed.
14. The Trustees are responsible for the calculation of any income due to be paid to the Mutual Fund and also of any income received in the Mutual Fund for the holders of the units of the Schemes in accordance with the Regulations and the Trust Deed.
15. The Trustee is required to obtain the consent of the Unit holders of the Scheme:
 - a. When the Trustee is required to do so by SEBI in the interest of the Unit holders of the Scheme; or
 - b. Upon a requisition made by three-fourths of the Unit holders of the Scheme; or
 - c. When the majority of the Directors of Trustee decide to wind up the Scheme or pre-maturely redeem the Units.
16. The Trustee shall ensure that no change in the fundamental attributes of the Schemes or the trust or the fees and expenses payable or any changes which would modify the Schemes and affects the interest of Unit holders shall be carried out unless:-
 - a. a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a Marathi newspaper published in the region where the Head Office of the Mutual Fund is situated; and
 - b. the unit holders are given an option to exit at the prevailing Net Asset Value without any exit load regardless of unit of Schemes held.
17. The Trustee shall call for the details of transactions in securities by the key personnel of the AMC and shall report to SEBI as and when required;
18. The Trustee shall quarterly review all transactions carried out between the mutual fund, AMC and its associates;
19. The Trustee shall review the net worth of the AMC on quarterly basis and in case of any shortfall ensure that the AMC makes up for the shortfall as per the clause (f) of sub-regulation (1) of regulation 21 of the Regulations.
20. The Trustee shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unit holders.

21. The Trustee shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the AMC and the interests of the unit holders;
22. The Trustee shall periodically review the investor complaints received and redressal of the same by the AMC.
23. The Trustees shall abide by the code of conduct as specified in the Fifth Schedule of SEBI Regulations.
24. The Trustee shall furnish to SEBI on a half yearly basis or at such frequency as may be prescribed by SEBI from time to time-
 - a. a report on the activities of the Mutual Fund;
 - b. a certificate stating the Directors have satisfied themselves that there have been no instances of self dealing or front running by any of the Trustee, Directors and key personnel of the AMC; and
 - c. a certificate to the effect that the AMC has been managing the Schemes independently of any other activities and in case any activities of the nature referred to in sub Regulation (2) of Regulation 24 of the Regulations have been undertaken, the AMC has taken adequate steps to ensure that the interest of the unit holders is adequately protected.
25. The independent Directors of the Trustee are required to give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of the group companies of the sponsor.
26. The Trustee shall exercise due diligence as under:

A. General Due Diligence

The Trustee shall:

- a. be discerning in the appointment of the directors on the Board of the AMC;
- b. review the desirability of continuance of the AMC if substantial irregularities are observed in any of the Schemes and shall not allow the AMC to float new Schemes;
- c. ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons;
- d. ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority;
- e. arrange for test checks of service contracts; and
- f. immediately report to SEBI of any special developments in the Fund.

B. Specific Due Diligence

The Trustee shall:

- a. obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee;
- b. obtain compliance certificates at regular intervals from the AMC;
- c. hold meeting of the Board of the Trustee Company frequently;
- d. consider the reports of the independent auditor and compliance reports of the AMC at the meetings of the Board of the Trustee Company for appropriate action;
- e. maintain records of the decisions of the Board of the Trustee Company at their meetings and of the minutes of the meetings;
- f. prescribe and adhere to a code of ethics by the Trustee, AMC and its personnel; and

- g. communicate in writing to the AMC of the deficiencies and check on the rectification of deficiencies.
- 27. Notwithstanding anything contained herein above from points (1) to (26) the Trustees shall not be held liable for any act done in good faith if they have exercised adequate due diligence honestly.
- 28. The Independent Directors of the Trustee shall pay specific attention to the following, as may be applicable namely: -
 - a. The Investment Management Agreement and the compensation paid under the same;
 - b. Service contracts with affiliates - whether the AMC has charged higher fees than outside contractors would have charged for the same services;
 - c. Selection of the AMC's independent directors;
 - d. Securities transactions involving affiliates to the extent such transactions are permitted;
 - e. Selecting and nominating individuals to fill independent director vacancies;
 - f. Code of ethics have been designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transaction;
 - g. The reasonableness of fees paid to the Sponsors, AMC and any others for services provided;
 - h. Principal underwriting contracts and their renewals; and
 - i. Any service contract with the associates of the AMC.

Trustee's Supervisory Role:

The Trustee shall review the information and operation of the Mutual Fund based on the periodic reports on the compliance of mandatory regulatory requirements, obtained from the compliance officer on a regular basis. The Compliance Officer has direct reporting line to the Board of Directors of the Trustees. Further, the Trustee has constituted an Audit Committee and appointed an independent internal auditor for conducting internal audit of the books and records of the Fund. The internal auditor submits their report directly to the Trustee.

The Regulations provide that the Trustee meetings will be held once in every two calendar months and at least six such meetings will be held in a year. Quorum for the meeting of the Board of Trustee Company shall not be constituted unless one independent director is present at the meeting.

In compliance with above provision, during the financial year 20010-2011, 6 meetings of the Board of Directors of the Trustee Company were held.

The Trustee shall also ensure that:

- a. investments are of the permitted kind and within the set limits;
- b. the Fund assets are duly protected;
- c. transactions in units under a Scheme are properly executed by the AMC with reference to the pricing of the units and payments into and out of the Fund;
- d. adequate internal controls are provided for by the AMC;
- e. income due to the Fund is properly accounted for;

- f. all expenses and charges to the Schemes are as permitted; and
- g. distributions from the Fund are done properly.

D. Asset Management Company

Motilal Oswal Asset Management Company Ltd. (AMC) is public a limited company incorporated under the Companies Act, 1956 on November 14, 2008, having its Registered Office at 81/82, Bajaj Bhavan, Nariman Point, Mumbai 400021. Motilal Oswal Asset Management Company Ltd. has been appointed as the Investment Manager to Motilal Oswal Mutual Fund vide Investment Management Agreement (IMA) dated May 21, 2009, executed between Motilal Oswal Trustee Company Ltd. and Motilal Oswal Asset Management Company Ltd.

The AMC is also providing investment management and advisory services to Gemini Investments India (Mauritius) Limited for Gemini Investment Fund Plc Dublin. The investment management and advisory services provided by the AMC is not in conflict with the asset management activity of the Mutual Fund or the Portfolio Management activities. SEBI vide its letter dated August 6, 2010 has granted its no-objection for the same.

The AMC is also registered with SEBI as a Portfolio Manager vide Registration No. INP000000670 dated September 16, 2008 under SEBI (Portfolio Managers) Regulations, 1993 pursuant to the endorsement of Certificate of Registration as a Portfolio Manager held by Motilal Oswal Securities Limited in the name of Motilal Oswal Asset Management Company Limited with effect from October 21, 2010. The certificate is valid till September 15, 2011. There is no conflict of interest between the activity of managing the schemes of Motilal Oswal Mutual Fund and the activity of Portfolio Management Services.

Apart from the above-mentioned activities, the AMC may undertake any other business activities including activities in the nature of management and advisory services to offshore funds, financial consultancy and exchange of research on commercial basis etc, subject to receipt of necessary regulatory approvals and approval of Trustees. The AMC shall ensure that such activities are not in conflict with the activities of the mutual fund.

The paid-up capital of the AMC is Rs. 30 Crores comprising of 3 Crores of Equity Shares of Rs. 10/- each. The shareholding pattern of the AMC is as follows:

Name of the Shareholder	% of Shareholding
Motilal Oswal Securities Limited *	100%

*including 6 shares held jointly with its nominees.

Details of AMC Directors:

Name	Age / Qualification	Brief Experience
Mr. Raamdeo Agrawal Associate Director	54 years / B.Com, ACA	<p>Mr. Agrawal is a Co-founder and Joint Managing Director of Motilal Oswal Financial Services Ltd. Mr. Agrawal is the key driving force behind strong research capability as well as a renowned Value investor, and has also been instrumental in setting up the investment management philosophy of the firm. He has an extensive experience of more than 2 decades in Financial Service Sector.</p> <p>He is a member of the National Committee on Capital Markets of the Confederation of Indian Industry. He has been authoring the annual Motilal Oswal Wealth Creation Study since its inception in 1996.</p> <p>He is also a Director on the Board of various Companies.</p>
Mr. Kanu Doshi Independent Director	73 years / C.A.	<p>Mr. Doshi has more than 46 years of varied experience. He specialises in corporate taxation and has got insight into financial matters of corporates particularly companies setting up new projects and seeking financial assistances from financial institutions.</p> <p>He is also a Director on the Board of various Companies.</p>
Mr. Lawrence Haber Independent Director	59 years / MBA from New York University and a CPA	<p>Mr. Haber has held various senior positions in financial roles at Coopers & Lybrand (now Price Waterhouse Coopers) Salomon Bros (now Citigroup), Merrill Lynch and Credit Suisse.</p> <p>Mr. Haber has rich and varied experience in the field of finance and investments.</p>
Mr. Vijay Mehra Independent Director	43 years / MBA and a Masters in Systems Engineering from MIT and a Bachelor of Science (Operations	<p>Mr. Mehra is presently designated as the Chief Information Officer (CIO) of the Essar Group. He is a globally recognized CIO with a strong track record for leveraging information technology to create lasting competitive advantage.</p>

Name	Age / Qualification	Brief Experience
	Research and Industrial Engineering) and a Bachelor of Arts (Economics) from Cornell University	<p>He is a seasoned information technology leader with a strong foundation in general management and significant experience in operations and business strategy. He has 20 years of global work experience in spanning line and management consulting roles, in six countries: USA, India, Germany, UK, Singapore and China (Hong Kong). Prior to joining Essar, Mr. Mehra has worked for McKinsey & Company, Motorola, Arthur D. Little, CSC Consulting and Syntel Inc.</p> <p>Mr. Mehra has assisted various Private Equity players in fund raising.</p>
Mr. Nitin Rakesh Managing Director	38 years / B.E. (Computers), Delhi College of Engg. & MBA (Finance), NMIMS, Mumbai	<p>Mr. Rakesh is also Chief Executive Officer of Motilal Oswal Asset Management Company Limited. He has rich and varied experience of more than 15 years. His focus has been on investment management and operations. He has worked in multiple areas including asset management, transaction processing, offshore fund structuring and venture capital. He has held various positions in various organizations such as State Street, Syntel, TCG Investments (ex-affiliate of Soros group) and Unit Trust of India.</p> <p>He was the CEO and Executive Director of the JV between State Street Bank, U.S. and Syntel Set up in 2005, the JV primarily runs an India based operations hub for STT's global business operations.</p>

Powers, Duties & Responsibilities of the AMC

The duties, responsibilities of the AMC shall be governed by the Regulations and the Investment Management Agreement. The AMC, in the course of managing the affairs of the Mutual Fund, has the powers inter-alia to:

1. Invest in, acquire, hold, manage or dispose of all or any securities and to deal with, engage in and carry out all other functions and to transact all businesses pertaining to the Fund;
2. Keep the moneys belonging to the Trust with scheduled banks and Custodians as it may deem fit;

3. Obtain, wherever required under the regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed;
4. Issue, sell and purchase units under any Scheme;
5. Repurchase the units that are offered for repurchase and hold, reissue or cancel them;
6. Formulate strategies, lay down policies for deployment of funds under various Schemes and set limits collectively or separately for privately placed debentures, unquoted debt instruments, securitised debts and other forms of variable securities which are to form part of the investments of the Trust Funds;
7. Arrange for investments, deposits or other deployment as well as disinvestments or refund out of the Trust Funds as per the set strategies and policies;
8. Make and give receipts, releases and other discharges for moneys payable to the Trust and for the claims and demands of the Trust;
9. Get the units under any Scheme listed on any one or more stock exchanges in India or abroad;
10. Open one or more bank accounts for the purposes of the Fund, to deposit and withdraw money and fully operate the same;
11. Pay for all costs, charges and expenses, incidental to the administration of the Trust and the management and maintenance of the Trust property, Custodian and/or any other entities entitled for the benefit of the Fund, audit fee, management fee and other fees;
12. Furnish compliance reports to the Trustees as prescribed by SEBI;
13. Provide or cause to provide information to SEBI and the Unit holders as may be specified by SEBI;
14. Generally do all acts, deeds, matters and things which are necessary for any object, purpose or in relation to the Mutual Fund in any manner or in relation to any Scheme of the Mutual Fund.
15. Ensure that no Scheme Information Document (SID) of a Scheme, Key Information Memorandum (KIM), Abridged Half yearly results and Annual Results are issued or published without the prior approval of the Trustee.
16. Ensure that the delivery of scrips purchased is taken and that the delivery is given in case of scrips sold and Mutual Fund in no case engages in short selling or carry forward transactions or badla finance;

The AMC shall abide by the Code of Conduct as specified in the Fifth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended from time to time. The AMC shall:

1. Maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
2. Take reasonable steps and exercise due diligence to ensure that the investment of money pertaining to any Scheme is not contrary to the provisions of the SEBI Regulations and the Trust Deed.
3. Exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
4. Render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.

The independent directors of the AMC will pay specific attention to the following as may be applicable namely:

1. The Investment Management Agreement and the compensation paid under the Agreement.
2. Service contracts with affiliates - whether the company has charged higher fees than outside contractors for the same services.
3. Securities transactions involving affiliates to the extent such transactions are permitted.
4. Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
5. The reasonableness of fees paid to Sponsors, AMC and any others for services provided.
6. Principal underwriting contracts and renewals.
7. Any service contracts with the associates of the company.

Under the SEBI Regulations, duties and responsibilities of AMC are as under:

1. The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.
2. The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
3. The AMC shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
4. The AMC shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.
5. The AMC shall submit to the trustees quarterly reports (or at such intervals as may be required by the Trustees or SEBI) of each year on its activities and the compliance with these regulations.
6. The trustees at the request of the AMC may terminate the assignment of the AMC at any time. Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
7. Notwithstanding anything contained in any contract or agreement or termination, the AMC or its directors or other officers shall not be absolved of liability to the Mutual Fund for their acts of commission or omissions, while holding such position or office.
8. An AMC shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes. Provided that for the purpose of this sub-regulation, aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the Mutual Fund. Provided further that the aforesaid limit of 5% shall apply for a block of any three months.
9. An AMC shall not purchase or sell securities through any broker (other than the broker associated with Sponsors) which is average of 5% or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes, unless the AMC has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the trustees on a quarterly basis.

- Provided that the aforesaid limit shall apply for a block of three months or as may be prescribed by SEBI from time to time.
10. An AMC shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that an AMC may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the Mutual Fund.
- Provided further that the Mutual Funds shall disclose at the time of declaring half-yearly and yearly results;
- any underwriting obligations undertaken by the schemes of the Mutual Funds with respect to issue of securities associate companies,
 - devolvement, if any,
 - subscription by the schemes in the issues lead managed by associate companies
 - subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
11. The AMC shall file with the trustees the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to the SEBI, as and when required by the SEBI.
12. In case the AMC enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.
13. In case any company has invested more than 5 per cent of the net asset value of a scheme (such other limits as may be prescribed from time to time under SEBI Regulations), the investment made by that scheme or by any other scheme of the same Mutual Fund in that company or its subsidiaries shall be brought to the notice of the trustees by the AMC and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment. Provided the latter investment has been made within one year of the date of the former investment calculated on either side.
14. The AMC shall file with the trustees and the SEBI –
- detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment and any change in the interest of Directors every six months; and
 - a quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the AMC as the case may be, by the Mutual Fund during the said quarter.
15. Each director of the AMC shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with the guidelines issued by the SEBI.
16. The AMC shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
17. The AMC shall appoint registrars and share transfer agents who are registered with the SEBI. Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the

- trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
18. The AMC shall abide by the Code of Conduct as specified in the Fifth Schedule.
 19. The AMC shall:
 - not act as a Trustee of any Mutual Fund;
 - not undertake any other business activities except activities in the nature of portfolio management services, investment management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the Mutual Fund without the prior approval of the Trustee and SEBI. Provided that the AMC may itself or through its subsidiaries undertake such activities if it satisfies SEBI that the key personnel of the AMC, the systems, back office, bank and securities accounts are segregated activity wise and there exist systems to prohibit access to inside information of various activities. Provided further that AMC shall meet capital adequacy requirements, if any, separately for each such activity and obtain separate approval, if necessary under the relevant regulations;
 - not invest in any of its Scheme unless full disclosure of its intention to invest has been made in the Scheme Information Document;
Provided that the AMC shall not be entitled to charge any fees on its investment in that Scheme;
 - not acquire any assets out of the trust fund which involves the assumption of any liability which is unlimited or which may result in encumbrance of the Scheme property in any way.
 20. The Chief Executive Officer of AMC shall ensure that the Mutual Fund complies with all the provisions of SEBI (Mutual Funds) Regulations, 1996 and guidelines/circulars issued in relation thereto from time to time and that the investments made by the Fund Managers are in the interest of the Unitholders and shall also be responsible for overall risk management function of the Mutual Fund.
 21. The AMC shall keep and maintain proper books of accounts, records and documents for each Scheme so as to explain its transactions and to disclose at any time the financial position of each Scheme and in particular to give a true and fair view of the state of affairs of the Fund and such records shall be maintained for a period of eight years.

Information on Key Personnel:

Name/Designation	Age/Qualification	Brief Experience
<p>Mr. Nitin Rakesh Managing Director and Chief Executive Officer</p>	<p>39 years/ B.E. (Computers), Delhi College of Engg. & MBA (Finance), NMIMS, Mumbai</p>	<p>Mr. Rakesh has rich and varied experience of more than 14 years. His focus has been on investment management and operations and has worked in multiple areas including asset management, transaction processing, offshore fund structuring and venture capital. He has held various positions in various organizations such as State Street, Syntel, TCG Investments (ex-affiliate of Soros group) and Unit Trust of India.</p> <p>He was the CEO and Executive Director of the JV between State Street Bank, U.S. and Syntel Set up in 2005, the JV primarily runs an India based operations hub for STT's global business operations.</p>
<p>Mr. Sanjay Dongre Chief Operations Officer (COO)</p>	<p>41 years / BA (Hons) in Economics from Mumbai University and MBA from the Indian Institute of Management, Bangalore</p>	<p>Mr. Sanjay Dongre has over 16 years of experience in the Financial Services industry.</p> <p>His last role was as Vertical Head in State Street Syntel Services, the JV between State Street Bank (NYSE: STT) & Syntel (NASDAQ: SYNT). He has worked in organizations such as Prudential ICICI Asset Management Company, Tata Asset Management, HDFC Asset Management, Bank of India Asset Management and Pfizer.</p>
<p>Mr. Rajnish Rastogi Senior Vice President & Co-Head of Equities</p>	<p>39 years / CFA Charter holder, B. Tech. (Electrical Engg.) from Indian Institute of Technology, Delhi & an MBA from Indian Institute of Technology, Delhi</p>	<p>Mr. Rajnish Rastogi has 15 years of experience in the Financial Services Industry.</p> <p>He has earlier worked as Investment Manager at Alliance Bernstein LLP (NYSE: AB) where he helped the firm make investment decisions for technology, telecom and healthcare sectors for its Strategic Value Fund (USD 80 Bn) and Advance Value Hedge Fund (USD 800 mn).</p> <p>His last role was as Director- Investments at</p>

Name/Designation	Age/Qualification	Brief Experience
		HSBC Private Equity Advisors (India) Pvt Ltd., Mumbai. In addition, he has held various positions in organizations such as IL&FS Investment Managers Ltd and CRISIL Research.
Mr. Taher Badshah Senior Vice President & Co-Head of Equities	40 years / BE (Electronics) and MMS (Finance) from the University of Mumbai	<p>Mr. Badshah has over 16 years of experience in the Financial Services Industry.</p> <p>He has earlier worked as Portfolio Manager at Prudential ICICI Asset Management Company Ltd. and, Research Analyst at Alliance Capital Asset Management Pvt. Ltd., Kotak Institutional Equities Ltd., Dresdner Kleinwort Wasserstein and Motilal Oswal Securities Limited.</p> <p>His last role was as Investment Advisor at Kotak Investment Advisors, Mumbai.</p>
Mr. Anubhav Srivastava Vice President-Product Development	41 years / BSc. in Agri & Ah, PGDM from Indian Institute of Management, Ahemdabad (IIM-A) and MSc. in Quantitative Finance from University of Westminster, London	<p>Mr. Srivastava has over 15 years of experience in the Financial Services industry.</p> <p>He has held various positions in organizations such as Dow, ANZ Grindlays Bank, and Deutsche Bank.</p> <p>His last role was as Head-Quantitative Finance at Syntel Inc., (NASD: SYNT) where he was responsible for financial modelling, OTC derivative valuations and analytics.</p>
Ms. Sarika Shah Company Secretary & Compliance Officer	29 years / B.Com, C.S., L.L.B.	<p>Ms. Shah has over 6 years of experience in the Financial Services. She was previously working with Benchmark Asset Management Company Pvt. Ltd. in the Compliance and Legal department. She has also worked with Usher Agro Limited and Savita Chemicals Limited. Ms. Shah is</p>

Name/Designation	Age/Qualification	Brief Experience
		associated with the Company since October, 2009 and is responsible for all Statutory Compliances, legal and secretarial function of the Company.

E. Service providers

i. Custodian

Citi Bank N.A.

Trent House, 3rd Floor,
G-60, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051
SEBI Registration No.: IN/CUS/004

The Trustee has appointed Citi Bank N.A. as the Custodian to the Schemes of Motilal Oswal Mutual Fund. The Custodian is SEBI approved Custodian. The registration of the Custodian is still valid and effective. The Custodian shall hold the custody and possession of physical gold, securities and investment, respectively, of the Fund and will discharge all the functions as are ordinarily discharged by a Custodian. It does not have any power or authority to sell or dispose of or deal with the securities/investment held by it on behalf of the Fund except as instructed by the AMC. The Trustee reserves the right to change the Custodian, if required.

The salient features of the Custodial Agreement and responsibilities of Custodian include:

1. keeping in safe custody all the securities, physical gold and other such instruments belonging to the Fund segregated from the other assets of Custodian and from the assets of other clients of the Custodian and shall be held in the name of the Trustee a/c Fund or Scheme or Custodian a/c or Scheme or in such other manner as may be mutually agreed.
2. ensuring smooth inflow/outflow of securities, physical gold and such other instruments as and when necessary, in the best interest of the investors.
3. ensuring that the benefits due to the holdings of Fund are recovered in time.
4. responsibility for loss of / or damage to the securities, physical gold or such other instruments due to fraud, bad faith, negligence, willful neglect, default or willful default on his part or on the part of its approved agents.

The Custodian would be entitled to remuneration for its services in accordance with the terms of the Custodian Agreement.

ii. Registrars and Transfer Agents

Karvy Computershare Pvt. Ltd.

Karvy Registry House
H. No. 8-2-596, Avenue 4, Street No. 1
Banjara Hills, Hyderabad - 500 034
SEBI Registration No. INR 000000221

Motilal Oswal Mutual Fund has appointed Karvy Computershare Pvt. Ltd. to act as Registrars and Transfer Agents to the Fund. Karvy is registered by SEBI as Category I Registrar under Registration No. INR00000221.

The Board of Trustees and AMC have satisfied themselves, after undertaking appropriate due diligence, that Karvy has adequate capacity to discharge responsibility with regard to processing of applications, dispatch of Account Statement/redemption proceeds to unit holders etc. within the prescribed time limit as per SEBI Regulations and also sufficient capacity to handle the investors complaints.

As Registrar to the Schemes, Karvy will accept and process unit holders' applications and advise the AMC as to the amounts received for subscriptions (duly reconciled) during the new fund offer period and when the Scheme opens for ongoing subscriptions. They will also handle communication with unit holders, unit holders' grievances, perform data entry services and dispatch Account Statement or any instrument. They will also maintain an updated and accurate form for the register of unit holders of the Schemes and other records as may be required by SEBI Regulations and laws of India.

The Registrar is responsible for carrying out the functioning of Registrar and Transfer Agent set out in the agreement entered into with it and as per any modification from time to time. The Registrar will be entitled to remuneration for its services as per the terms of Registrar and Transfer Agreement. The AMC reserves the right to change the Registrar at any time for all or any of the Schemes of the Fund. The Unit holders will then be informed accordingly.

iii. Statutory auditor for the Mutual Fund

M/s. S. R. Batliboi & Co.

6th Floor,
Express Towers,
Nariman Point,
Mumbai - 400 021

iv. Legal Counsel

There is no retained legal counsel to the Mutual Fund/AMC. However, the AMC uses the services of renowned legal counsel, if need arises.

v. Fund Accountant

Citi Bank N.A.

Trent House, 3rd Floor,
G-60, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051

vi. Collecting Bankers

During the New Fund Offer of the Scheme, the AMC shall appoint banks(s) registered with SEBI as Collecting Banker(s) to accept the applications for investment into the Scheme on such terms and conditions as may be decided by the AMC from time to time. The list of the Collecting Bankers will be disclosed in the SID as and when the Schemes are launched.

F. Condensed Financial Information (CFI):

HISTORICAL PER UNIT STATISTICS	Motilal Oswal MOST M50 ETF	Motilal Oswal MOST Midcap 100 ETF	Motilal Oswal MOST NASDAQ 100 ETF
-	2010-2011	2010-2011	2010-2011
Date of launch@	28-Jul-10	31-Jan-11	29-Mar-11
NAV at the beginning of the period/Allotment Date	Rs. 78.0343	Rs. 7.9225	Rs. 103.2365
Dividend (Rs.)	Nil	Nil	Nil
NAV at the end of the year (as on March 31, 2011)	Rs. 81.3838	Rs. 8.0615	Rs. 104.6721
Scheme returns since inception (Absolute)**	4.29%	1.75%	1.39%
Net Assets at the end of period (Rs. Crs.)	Rs. 194.89	Rs. 130.82	Rs. 48.24
Ratio of Recurring Expenses to net assets (%)	1.00%	1.00%	1.00%

@ Date of launch is deemed to be the date of allotment of respective schemes.

**Absolute returns are provided as the schemes have not completed one year. Past performance may or may not be sustained in future.

II. HOW TO APPLY?

Application forms/Transaction Slips will be available and accepted at the office of Investor Service Centre, Distributors, at the corporate office of the AMC and the office of the Registrar. During the New Fund Offer, applications (both direct application and application routed through Broker) complete in all respects along with the cheque/pay order/ demand draft/other payment instruction should be submitted at the designated

collection centers and at locations mentioned in the application form on their respective business day.

On an ongoing basis, applications (both direct application and application routed through Broker) filled up and duly signed along with the cheque/bank draft/pay order/other payment instrument should be submitted at the Official Points of Acceptance of Transactions during their Business Hours on their respective Business Days.

Applications by NRIs/FIIs on repatriation basis will be accepted at the branches of the collecting bankers as specified in the relevant application form.

The cheque / pay order / bank draft must be drawn in favour of specific scheme/plan/sub-plan and crossed "A/c Payee only". A separate cheque / pay order / demand draft must accompany each application; Investors must use separate application forms for investing simultaneously in more than one plan/ sub-plan of the scheme subject to the minimum subscription requirements under each Plan

Cheque / pay order / demand draft accompanying the application form should contain the application form number / folio number and name of the first investor on its reverse.

Subject to the Regulations, Trustees of the Mutual Fund may reject the applications in case the application is found invalid/ incomplete or for any other reason at Trustee's discretion.

Mode of payment

For Resident Investors:

Investors having a bank account with such banks with whom the AMC will have an arrangement from time to time, can make payment towards subscription to the units of the Schemes either by issuing a cheque drawn on such bank or by giving debit instruction to their account with any branch of such banks with whom the AMC would have arrangement from time to time.

For other investors not covered above, payment may be made by cheque/draft, drawn locally on any bank, which is a member of the Bankers Clearing House located at the place where the application form is submitted.

No cash, money orders, stockinvests, outstation cheques, postdated cheques (except under the SIP facility, during continuous offer) and postal orders would be accepted. Bank charges for out-station demand drafts (as defined herein) will have to be borne by the Investor. An out-station demand draft has, for this purpose, been defined as a demand draft issued by a bank in a place where there is no collection centre provided for the investors. The Fund will not entertain any requests for refund of demand draft charges.

Separate cheque or bank draft must accompany each application. No receipt will be issued for the application money. The bankers to the offer or their respective designated branches or any authorized collection agents/centers who receive the application form

shall stamp and return the “Acknowledgment Slip” thereby acknowledging receipt of the application form. The investors are requested to preserve the acknowledgement slip duly stamped by the collecting bank/center etc. This shall be subject to final verification and scrutiny by the bankers/Trustee/AMC that the cheque /demand draft and application form are in order/valid.

Important Note:

1. Returned cheques will not be presented again for collection and the accompanying application forms shall not be considered for allotment. In case the returned cheque(s) are presented again the necessary charges are liable to be debited to the investor.
2. As per the directive issued by SEBI vide their letter IIMARP/CIR/07/826/98 dated April 15, 1998, it is mandatory for applicants to mention their bank account numbers in their applications for purchase or redemption of units. This is to prevent fraudulent encashment of dividend/redemption/ refund cheques. For the purpose of verifying the account number of the investor, AMC or Registrar may ask investor to provide a blank cancelled cheque or its photocopy. If the data is not provided, neither the Mutual Fund nor the AMC will be liable for any delay/non receipt of refund, redemption/dividend payments.
3. Any request for withdrawal of application made during the New Fund Offer period will be treated as redemption request and shall be processed at the redemption price on the first day after the scheme opens for subscription and redemption on an ongoing basis after the close of New Fund Offer.

Additional mode of payment through Applications Supported by Blocked Amount (“ASBA”) in Mutual Funds for investing in New Fund offer (NFO)

In terms of SEBI circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, an investor can subscribe to the New Fund Offer (NFO) of Mutual Fund launched on or after July 1, 2010, through the ASBA facility by applying for the units offered by the Schemes in the ASBA application form and following the procedure as prescribed therein.

“Applications Supported by Blocked Amount” or “ASBA” is an application containing an authorization given by the Investor to block the application money in his specified bank account towards the subscription of Units offered during the NFO of the Schemes of Motilal Oswal Mutual Fund. If an investor is applying through ASBA facility, the application money towards the subscription of Units shall be debited from his specified bank account only if application of the investor is selected for allotment of Units.

Investors under ASBA can also subscribe to NFO of the Schemes by making physical or electronic application through Self Certified Syndicate Bank (“SCSB”) for utilising ASBA facility.

Benefits of Applying through ASBA facility:

- a) The Investor need not issue a cheque of a demand draft, as the investor needs to submit the ASBA application form accompanying an authorization to block the account to the extent of application money towards subscription of units in the NFO. The investor can use the balance money, if any, for other purposes.
- b) Release/unblocking of blocked funds after allotment is done instantaneously.
- c) As the application amount remains in the investor's bank account, the investor continues to earn interest till the allotment is made, when an application is made under ASBA facility
- d) Refunds of money to the investors do not arise as the application money towards subscription of units is debited only on the allotment of units.

ASBA Procedure

i) An investor intending to subscribe to the units during NFO through ASBA facility shall submit a duly completed ASBA application form to a SCSB with whom such investor's bank account is maintained.

ii) The ASBA Application Form towards the subscription of units can be submitted through one of the following modes:

- submit the form physically with the Designated Branches (DBs) of SCSB ("Physical ASBA"); or
- submit the form electronically through the internet banking facility offered by the SCSB ("Electronic ASBA").

iii) An acknowledgement will be given by the SCSB in the form of the counter foil or specifying the application number for reference. Such acknowledgement does not guarantee, in any manner, that the investors will be allotted the units he has applied for.

Note: The application would be rejected by the Bank, if the bank account specified in the ASBA application form does not have sufficient credit balance to meet the application money towards the subscription of units in the NFO.

iv) On acceptance of physical or electronic ASBA, the SCSB shall block funds available in the specified bank account to the extent of application money specified in ASBA application Form.

v) Application money towards the subscription of units shall be blocked in the account until (i) allotment of units is made or (ii) the application is rejected.

vi) SCSBs shall unblock the bank accounts for (i) transfer of requisite money to the Mutual Fund / scheme bank account against each valid application on allotment or (ii) in case the application is rejected.

vii) The list of SCSBs and their DBs where ASBA application form can be submitted is available on the websites of BSE (www.bseindia.com), NSE (www.nseindia.com) and SEBI (www.sebi.gov.in) and shall also be given in the ASBA application form.

Grounds for Technical Rejections of ASBA application forms

ASBA application forms can be rejected, at the discretion of Registrar and Transfer Agent of Motilal Oswal Mutual Fund or AMC or SCSBs including but not limited on the following grounds:-

- i) Applications by persons not competent to contract under the Indian Contract Act, 1872, including but not limited to minors, insane persons etc.
- ii) Mode of ASBA i.e. either physical ASBA or electronic ASBA is not selected or ticked.
- iii) ASBA application form without the stamp of the SCSB.
- iv) Application by any person outside India if not in compliance with applicable foreign and Indian laws.
- v) Bank account details not given/incorrect details given.
- vi) Duly certified Power of Attorney, if applicable, not submitted along with the ASBA application form.
- vii) No corresponding records available with the Depositories matching the parameters namely (a) Names of the ASBA applicants (including the order of names of joint holders) (b) DP ID (c) Beneficiary account number or any other relevant details pertaining to the Depository account.

Mechanism for Redressal of Investor Grievances:

All grievances relating to the ASBA facility may be addressed to the respective SCSBs, giving complete details such as name & address of the applicant, number of units applied for, counterfoil or the application reference given by the SCSBs, DBs or CBs, amount paid on application and the Designated Branch or the collection centre of the SCSB where the application form was submitted.

If the SCSB has not resolved the grievance, investors should write to M/s. Karvy Computershare Pvt. Ltd. (Karvy), Hyderabad, Registrar and Transfer Agent of Motilal Oswal Mutual Fund

Permanent Account Number (PAN)

SEBI has made it mandatory for all applicants including NRIs (in the case of application in joint names, then each of the applicants) to mention his/her Permanent Account Number (PAN) issued by the Income Tax authorities irrespective of the amount of transaction. Where the applicant is a minor and does not possess his/her own PAN, he/she shall quote the PAN of his/her father or mother or the guardian, as the case may be. However, investors resident in the state of Sikkim, Central Government, State Government, officials appointed by the courts e.g. official liquidator, court receiver etc. (under the category of Government) are exempted from the mandatory requirement of PAN for transacting in securities market. This would be subject to collecting necessary documentary evidence by the AMC/Fund to verify the veracity of the claim. In order to verify that the PAN of the applicants (in case of application in joint names, each of the applicants) has been duly and correctly quoted therein, the applicants shall attach with the application form, a photocopy of the PAN card duly self-certified along with the original PAN Card. The original PAN Card will be returned immediately across the counter after

verification. Alternatively, a distributor empanelled with the Fund can attest a copy. A Bank Manager's attestation or a Notarised copy will also be accepted.

Investors investing through Systematic Investment Plan (SIP) upto Rs. 50,000/- per year shall be exempted from submitting a PAN copy vide SEBI letter. MRD/DoP/PAN/PM/166999/2009 dated June 19, 2009. However, as per AMFI Circular dated December 23, 2010 such investors are required to furnish an attested copy (self attested / attested by an AMFI registered distributor bearing its AMFI Registration Number) of any of the photo identification documents and proof of address as specified in the respective scheme information documents / key information memorandum / application forms.

It is clarified that where photo identification documents contains the address of the investor, a separate proof of address is not required.

The aforesaid exemption is applicable to (i) investments only by individuals (including Non Resident Indians, but not Persons of Indian Origin), minors and sole proprietary firms; and (ii) joint holders.

Non-Acceptance of Third Party Payments

Pursuant to AMFI Best Practice Guidelines, with effect from November 15, 2011, Motilal Oswal Asset Management Company Limited (AMC)/Motilal Oswal Mutual Fund (Mutual Fund) shall not accept the applications for subscription of units accompanied with Third party payments. Third party payments means payments made through instruments issued from an account other than that of the beneficiary investor. In case of payments made from a joint bank account, the first holder of the mutual fund folio must be one of the joint holders of the bank account from which payment is made.

However, in the following exceptional circumstances, application with the Third party payments for investment/subscription would be accepted subject to submission of documents and declarations:

- a. Payment by Parents/Grand-Parents/related persons for investment made on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding Rs. 50,000/- (each regular purchase or per SIP installment).
- b. Payment by Employer on behalf of employee under Systematic Investment Plan through Payroll deductions.
- c. Custodian on behalf of a Foreign Institutional Investor (FII) or a Client.

In case of exceptions mentioned above, the investors will be required to comply with the following requirements:

- a. Mandatory Know Your Client (KYC) for Investor (guardian in case of minor) and the person making the payment i.e. KYC Acknowledgement Letter of the Investor and the person making the payment has to be attached to the application form.
- b. Declaration from the Investor (guardian in case of minor) and the person making the payment stating the details of the bank account from which the payment is made and the relationship with the Investor.

Investors/unit holders are requested to take note of the following:

- (i) Where the application for purchase is accompanied by a cheque then the investor/unitholder at the time of their purchase must provide the details of their pay-in bank account (i.e. account from which a subscription payment is made) and their pay-out bank account (i.e. account into which redemption/dividend proceeds are to be paid).
- (ii) Where the application is accompanied by a Pay Order, Demand Draft, Banker's cheque, etc., a Certificate (in original) from the Issuing banker must accompany the application, stating the Account holder's name and the Account number which has been debited for issue of the instrument. This Certificate should be duly certified by the bank manager with his/her full signature, name, employee code, bank seal and contact number. The account number mentioned in the Certificate should be a registered bank account or the first named investor/ unitholder should be one of the account holders of such bank account.
- (iii) An application for purchase which is accompanied by pre-funded instrument issued by the Bank against Cash shall be accepted for investments less than Rs. 50,000/-. The investor shall submit a Certificate (in original) from the banker giving name, address and PAN (if available) of the person who has requested for the demand draft. This Certificate should be certified by the bank manager with his/her full signature, name, employee code, bank seal and contact number.
- (iv) An application for purchase for which payment is made by RTGS, NEFT, ECS, bank transfer, etc., must be accompanied by a copy of the instruction to the bank stating the account number debited. The account number mentioned in the instruction for the transfer to the bank should be a pre-registered bank account or the first named investor/unitholder should be one of the account holders of the bank account from which the instructions for fund transfer has been provided.

The above broadly covers the various modes of payment for mutual fund subscriptions. Any other mode of payment as introduced by Mutual Fund will also be covered under these provisions and the Mutual Fund/AMC reserves the right to change/alter the above provisions.

Investors transacting through Stock Exchanges for listed schemes will have to comply with the norms/rules as prescribed by the Stock Exchanges(s).

The Mutual Fund/AMC reserves the right at its absolute discretion to reject/not process the application which does not comply with the above provisions and refund the application money and shall not be liable in any manner whatsoever for such rejections.

Application under Power of Attorney/ non-individual investor

In case of an application under a Power of Attorney or by a limited company or a body corporate or a registered society or a trust or any other non-individual investor, the original power of attorney or the certified copy containing the signature of both the applicant and the constituted attorney duly notarised or the relevant resolution or

authority to make the application as the case may be or duly certified copy thereof along with a certified copy of memorandum and articles of association and/or bye-laws must be lodged along with the application form and a separate set of all the documents be submitted to the Collection Centres/Registrars.

Subscription by NRIs/PIOs

RBI has granted general permission to domestic mutual funds referred to in Clause (23D) of Section 10 of the Income Tax Act, 1961 to issue units and repurchase units of their Schemes which are approved by the SEBI to NRIs/PIOs at their places of residence or location as the case may be.

Repatriation basis

NRI/PIO applications on a repatriation basis will be accepted, if the amount representing the investment is received by inward remittance through normal banking channels or by debit to Non-Resident (External) Rupee Account (NRE)/Foreign Currency (Non-Resident) Account (FCNR) maintained with the authorized dealer.

Non-Repatriation basis

In case of NRIs/PIOs seeking to apply on a non-repatriation basis, payment may be made by inward remittance through normal banking channels or by debit to the NRE/FCNR/Non-Resident Ordinary Rupee (NRO) account maintained with the authorized dealer.

All cheques/drafts accompanying applications for repatriation or non-repatriation basis should be made and crossed "Account Payee Only". In case Indian Rupee drafts are purchased abroad or from FCNR/NRE A/c, an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed.

Subscriptions by FIIs

RBI has granted general permission to domestic mutual funds referred to in Clause (23D) of Section 10 of the Income Tax Act, 1961 to issue units and repurchase units of their Schemes which are approved by the SEBI to FIIs and to make payments therefore. FIIs shall pay their subscription amount either by inward remittance through normal banking channels or out of funds held in Non-Resident (External) Rupee Account (NRE)/Foreign Currency (Non-Resident) Account (FCNR) or Non-Resident Ordinary Rupee Account (NRO) maintained with a designated bank in India. The application must provide the FII's Special Non Resident Rupee Deposit Account details maintained with any one of the RBI designated banks.

III. RIGHTS OF UNITHOLDERS OF THE SCHEME

A. Rights of Unitholders

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as redemption/switch of Units shall be despatched to the Unit holder within 10 business days of the specified redemption date. Provided if a Unit holder so desires the Fund shall issue a Unit certificate (non-transferable) within 30 days of the receipt of request for the certificate.

In case of Unit Holders holding units in the dematerialised mode, the Fund will not send the account statement / unit certificate to the Unit Holders. The statement provided by the Depository Participant will be equivalent to the account statement.

Pursuant to SEBI Circular no. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010, in respect of New Fund Offers (NFOs) of Schemes launched on or after July 1, 2010, Account Statement [Allotment Advice in respect of units held in demat (electronic) mode] shall be despatched within five business days from the closure of the NFO and all the schemes [except Equity Linked Savings Scheme (ELSS)] shall be available for ongoing repurchase/ sale/trading within five business days of allotment.

The first-named Unit holder shall receive the account statements, all notices and correspondence with respect to the account, as well as the proceeds of any Redemption requests or dividends or other distributions. In addition, such holder shall have the voting rights, as permitted, associated with such Units as per the applicable guidelines.

3. The Fund shall dispatch redemption/repurchase proceeds within 10 Business Days of receiving the redemption/repurchase request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the Unit holders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders: -
 - i. whenever required to do so by SEBI in the interest of the unit holders; or
 - ii. whenever required to do so if a requisition is made by three-fourths of the unit holders of the Scheme; or
 - iii. when the Trustees decide to wind up the Scheme or prematurely redeem the Units
8. The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless :

- i. A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
 - ii. The Unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.
9. In specific circumstances, where the approval of Unit holders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.

IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

The NAV of a scheme as determined by dividing the net assets of the scheme by the number of outstanding units on the valuation date.

The Fund shall value its investment according to the valuation norms as specified under Schedule VIII of SEBI (Mutual Funds) Regulation, 1996 or such norms as may be prescribed by SEBI from time to time.

The broad valuation norms that the Mutual Fund shall follow are detailed below. These norms are indicated based on the current Regulations and the circulars, guidelines/instructions issued by SEBI.

A. Traded Securities

1. The securities shall be valued at the last quoted closing price on the Stock Exchange.
2. When the securities are traded on more than one recognized stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the AMC to select an appropriate stock exchange, but the reason for selection should be recorded in writing. There should, however, be no objection for all the scrips being valued at the prices quoted on the stock exchange where majority in value of the investments are principally traded.
3. Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the AMC
4. When on a particular valuation day, a security has not been traded on a selected stock exchange, the value at which it is traded on another stock exchange may be used.
5. When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.
6. When a debt security (other than Government Securities) is not traded on any stock exchange on a any particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to valuation date.

7. When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase.

B. Thinly Traded Securities:

(i) Thinly Traded Equity/Equity Related Securities:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly.

In order to determine whether a security is thinly traded or not, the volumes traded in all recognized stock exchanges may be taken into account.

Where a stock exchange identifies the "thinly traded" securities by applying the above parameters for the preceding calendar month and publishes/provides the required information along with the daily quotations, the same can be used by the Schemes.

If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly.

(ii) Thinly Traded Debt Securities

A debt security (other than government securities) shall be considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs. 5 Crores) on the principal stock exchange or any other stock exchange.

A thinly traded debt security as defined above would be valued as per the norms set for non-traded debt security.

C. Non-traded Securities

When the security (other than Government Securities) is not traded on any stock exchange for a period of 30 days prior to the valuation date, the security shall be treated as a "non-traded" security.

Valuation of Non-Traded/Thinly Traded Security

Non traded/thinly traded securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below:

(I) Non-traded / thinly traded equity securities:

- a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:

Net Worth per share = [share capital + reserves (excluding revaluation reserves) - Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.

- b) 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.
- c) 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.
 - d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
 - e) 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.
 - f) 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.
 - g) 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.

In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the AMC/Trustees will decide the valuation norms to be followed and such norms would be documented and recorded.

(II) (a) Non Traded/Thinly Traded Debt Securities of Upto 182 days to Maturity

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process should be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non traded Non Government debt instruments shall be valued using the method suggested in (II)(b) hereof.

(II) (b) Non Traded/Thinly Traded Debt Securities of Over 182 Days to Maturity

For the purpose of valuation, all Non Traded/Thinly traded non-government Debt Securities over 182 days to maturity would be first classified into “Investment grade” and “Non Investment grade” securities based on their credit ratings. The non-investment grade securities would further be classified as “Performing” and “Non Performing” assets.

- All Non Government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described below.

- All Non Government non investment grade performing debt securities would be valued at a discount of 25% to the face value
- All Non Government non-investment grade non-performing debt securities would be valued based on the provisioning norms.

Debt Instruments shall generally be valued on a yield to maturity basis, the capitalization factor being determined for comparable traded securities and with an appropriate discount for lower liquidity, promoter background, finance company risk and issuer class risk.

The approach in valuation of non-traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non-traded security.

The Yields for pricing the non-traded debt security would be arrived at using the process as defined below:

Step A: A Risk Free Benchmark Yield is built using the government securities (GOI Sec) as the base. GOI Secs are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

Step B: A Matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

Step C: The yields as calculated above are Marked-up/Marked-down for ill-liquidity risk

Step D: The Yields so arrived are used to price the portfolio.

Valuation of Debt and Money Market Instruments

I. Valuation of money market and debt securities with residual maturity of upto 91 days:

All money market and debt securities, including floating rate securities, with residual maturity of upto 91 days shall be valued at the weighted average price at which they are traded on the particular valuation day.

When such securities are not traded on a particular valuation day they shall be valued on amortization basis. It is further clarified that in case of floating rate securities with floor and caps on coupon rate and residual maturity of upto 91 days then those shall be valued on amortization basis taking the coupon rate as floor.

II. Valuation of money market and debt securities with residual maturity of over 91 days:

All money market and debt securities, including floating rate securities, with residual maturity of over 91 days shall be valued at weighted average price at which they are traded on the particular valuation day. When such securities are

not traded on a particular valuation day they shall be valued at benchmark yield/matrix of spread over risk free benchmark yield obtained from agency(ies) entrusted for the said purpose by AMFI.

III. Valuation of securities not covered under the current valuation policy:

In case of securities purchased by mutual funds do not fall within the current framework of the valuation of securities then such mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMC shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from mutual fund.

In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the mutual funds shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

Valuation of Convertible Debentures and Bonds

The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The nonconvertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument, which is traded, the value of later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in.

Valuation of Warrants

In respect of warrants to subscribe attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures shall be deducted to account for the period, which must elapse before the warrant can be exercised.

Valuation of Unlisted Equity Shares

Though the Fund does not envisage investment in unlisted equity shares by the Scheme, unlisted equity shares, if any, shall be valued in accordance with the guidelines issued by SEBI vide its Circular No. MFD/CIR/03/526/2002 dated May 9, 2002.

Valuation of Government Securities

All Government securities are to be valued at the prices released by an agency suggested by AMFI. Currently, AMFI has suggested that mutual funds use the prices provided by CRISIL on a daily basis for valuation of government securities.

Valuation of securities with Put/Call Options

The option embedded securities would be valued as follows:

(i) Securities with Call option :

- (a) The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.
- (b) In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

(ii) Securities with Put option :

- (a) The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option.
- (b) In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

(iii) Securities with both Put and Call option on the same day :

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

Illiquid Securities :

- a. Aggregate value of “illiquid securities” of the Scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.
- b. In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.
- c. The Fund shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the Unit holders. In the list of investments, an asterisk mark shall also be given against all such investments which are recognised as illiquid securities.
- d. The Fund shall not transfer illiquid securities among their schemes.

Fixed Income and Money Market Instruments

While investments in call money, bills purchased under rediscounting scheme and short-term deposits with banks shall be valued at cost plus accrual, other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non traded instrument that is instruments not traded for a period of seven days will either be valued at cost plus interest accrued till the beginning of the day plus the

difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments.

Valuation of Rights entitlement

Until the rights are traded, the value of 'rights' shares would be calculated as follows:

$$V_r = \frac{n}{M} \times (P_{ex} - P_{of})$$

Where V_r = Value of Rights
 n = No. of Rights offered
 M = No. of original shares held
 P_{ex} = Ex-rights price
 P_{of} = Right offer price

Where rights are not treated pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but renounce them, and renunciations are being traded, the rights can be valued at the renunciation value.

Valuation of Repo

Instruments which have been bought on a "Repo" basis, would be valued at the resale price after deduction of applicable interest upto the date of resale. Where an instrument has been sold on a "repo" basis, adjustment shall be made for the difference between the repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation would be provided for and if the repurchase price is lower than the value, credit would be taken for the appreciation.

Valuation of Derivative Products

The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended by SEBI circular no. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. MFD/CIR/14/088/2001 dated March 28, 2001.

The valuation of non-traded derivatives shall be done in accordance with the valuation method for non-traded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, and applicable guidelines.

Valuation of Gold

- (1) The gold held by a gold exchange traded fund scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following:
 - (a) adjustment for conversion to metric measures as per standard conversion rates;

- (b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and
- (c) addition of:
 - (i) transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund; and
 - (ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the gold from London to the place where it is actually stored on behalf of the mutual fund :

Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the mutual fund :

Provided further that where the gold held by a gold exchange traded fund scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph.

- (2) If the gold acquired by the gold exchange traded fund scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of sub-paragraph (1).

Valuation Norms for Foreign Securities

On the Valuation Day, the securities issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. Further in case of extreme volatility or any other significant event in the international markets, the securities listed in those markets may be valued on a fair value basis.

Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAVs for a Valuation Day, the AMC may use the last available traded price for the purpose of valuation. The use of the closing price / last available traded price for the purpose of valuation will also be based on the practice followed in a particular market. In case any particular security is not traded on the Valuation Day, the same shall be valued on a fair value basis by the valuation committee of the AMC.

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

On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Bloomberg / Reuters / RBI or any other standard reference rate available at the close of banking hours in India. The Trustees reserve the right to change the source for determining the exchange rate. The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation. Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the scheme on the settlement of such assets / liabilities.

Guidelines For Identification and Provisioning for Non Performing Assets (Debt Securities) For Mutual Funds:

(A) Definition of a Non Performing Asset (NPA)

An 'asset' shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income/installment has fallen due.

(B) Effective date for classification and provisioning of NPAs

The definition of NPA may be applied after a quarter past due date of the interest. For e.g. if the due date for interest is 30.06.2000, it will be classified as NPA from 01.10.2000.

(C) Treatment of income accrued on the NPA and further accruals

After the expiry of the 1st quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 30.06.2000 and if the interest is not received, accrual will continue till 30.09.2000 after which there will be no further accrual of income. In short, taking the above example, from the beginning of the 2nd quarter there will be no further accrual on income.

On classification of the asset as NPA from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Fund till the date, should be provided for. For e.g. if interest income falls due on 30.06.2000, accrual will continue till 30.09.2000 even if the income as on 30.06.2000 has not been received. Further, no accrual will be done from 01.10.2000 onwards. Full provision will also be made for interest accrued and outstanding as on 30.06.2000.

(D) Provision for NPAs - Debt Securities

Both secured and unsecured investments once they are recognized as NPAs call for provisioning in the same manner and where these are related to close ended scheme the phasing would be such that to ensure full provisioning prior to the closure of the scheme or the scheduled phasing which ever is earlier.

The value of the asset must be provided in the following manner or earlier at the discretion of the Fund. Fund will not have discretion to extend the period of provisioning.

The provisioning against the principal amount or instalments should be made at the following rates irrespective of whether the principal is due for repayment or not.

- 10% of the book value of the asset should be provided for after 6 months past due date of interest i.e. 3 months from the date of classification of the asset as NPA.
- 20% of the book value of the asset should be provided for after 9 months past due date of interest i.e 6 months from the date of classification of the asset as NPA.
- Another 20% of the book value of the assets should be provided for after 12 months past due date of interest i.e 9 months from the date of classification of the asset as NPA.
- Another 25% of the book value of the assets should be provided for after 15 months past due date of interest i.e. 12 months from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 18 months past due date of the interest i.e 15 months from the date of classification of the assets as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method.

This can be explained by an illustration :

Let us consider that interest income is due on a half yearly basis and the due date falls on 30.06.2000 and the interest is not received till 1st quarter after due date i.e. 30.09.2000.

This provisioning will be done in following phased manner :

10% provision	01.01.2001	6 months past due date of interest i.e 3 months from the date of classification of asset as NPA (01.10.2000)
20% provision	01.04.2001	
20% provision	01.07.2001	
25% provision	01.10.2001	
25% provision	01.01.2002	

Thus, 1 1/2; years past the due date of income or 1 1/4; year from the date of classification of the 'asset' as an NPA, the 'asset' will be fully provided for. If any instalment is fallen due, during the period of interest default, the amount of provision should be instalment amount or above provision amount, whichever is higher.

(E) Reclassification of assets :

Upon reclassification of assets as 'performing assets' :

1. In case a company has fully cleared all the arrears of interest, the interest provisions can be written back in full.

2. The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.
3. In case the company has fully cleared all the arrears of interest, the interest not credited on accrual basis would be credited at the time of receipt.
4. The provision made for the principal amount can be written back in the following manner :-
 - 100% of the asset provided for in the books will be written back at the end of the 2nd calendar quarter where the provision of principal was made due to the interest defaults only.
 - 50% of the asset provided for in the books will be written back at the end of the 2nd calendar quarter and 25% after every subsequent quarter where both instalments and interest were in default earlier.
5. An asset is reclassified as 'standard asset' only when both overdue interest and overdue instalments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

(F) Receipt of past dues :

When the fund has received income/principal amount after their classifications as NPAs ;

- For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.
- During this period of two quarters although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding
- If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (D) above. Any excess provision will be written back.

(G) Classification of Deep Discount Bonds as NPAs :

Investments in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied:

- If the rating of the Bond comes down to grade 'BB' or below.
- If the company is defaulting in their commitments in respect of other assets, if available.
- Full Net worth erosion.

Provision should be made as per the norms set at (D) above as soon as the asset is classified as NPA.

Full provision can be made if the rating comes down to grade 'D'

(H) Reschedulement of an asset :

In case any company defaults either interest or principal amount and the Fund has accepted a reschedulement of the schedule of payments, then the following practice may be adhered to:

- (i) In case it is a first reschedulement and only interest is in default, the status of the asset namely, 'NPA' may be continued and existing provisions should not be written back.

This practice should be continued for two quarters of regular servicing of the debt. Thereafter, this be classified as 'performing asset' and the interest provided may be written back.

(ii) If the reschedulement is done due to default in interest and principal amount, the asset should be continued as non performing for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this can be classified as 'performing asset' and all the interest provided till such date should be written back.

(iii) If the reschedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the debt. The provision should be written back only after it is reclassified as 'performing asset'.

(I) Disclosure in the Half Yearly Portfolio Reports:

The mutual funds shall make scripwise disclosures of NPAs on half yearly basis along with the half yearly portfolio disclosure.

The total amount of provisions made against the NPAs shall be disclosed in addition to the total quantum of NPAs and their proportion of the assets of the mutual fund scheme. In the list of investments an asterisk mark shall be given against such investments which are recognized as NPAs. Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not investment provided that where an investment is redeemable by instalments, that will be shown as an investment until all instalments have become overdue.

Expenses and Incomes Accrued

All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day-to-day basis. The minor expenses and income will be accrued on a periodic basis, provided non-accrual does not affect the NAV calculations by more than 1%.

Changes in securities and in number of units

Any changes in securities and in the number of units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, given the frequency of NAV disclosure, the recording may be delayed up to a period of seven days following the date of the transaction, provided as a result of such non-recording, the NAV calculation shall not be affected by more than 1%.

In case the Net Asset Value of a scheme differs by more than 1%, due to non-recording of the transactions, the investors or scheme/s as the case may be, shall be paid the difference in amount as follows :

- (i) If the investors are allotted units at a price higher than Net Asset Value or are given a price lower than Net Asset Value at the time of sale of their units, they shall be paid the difference in amount by the scheme.
- (ii) If the investors are charged lower Net Asset Value at the time of purchase of their units or are given higher Net Asset Value at the time of sale of their units, asset

management company shall pay the difference in amount to the scheme. The asset management company may recover the difference from the investors.

The Valuation guidelines as outlined above are as per prevailing Regulations and are subject to change from time to time in conformity with the changes made by SEBI.

V. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on investing in Mutual Funds

The following summary outlines the key tax implications applicable to unit holders based on the relevant provisions under the Income-tax Act, 1961 ('Act'), the Wealth-tax Act, 1957 and the Gift Tax, 1958 (collectively called 'the relevant provisions').

The following information is provided only for general information purposes and is based on the Mutual Fund's understanding of the Tax Laws as of this date of Document. Investors / Unitholders should be aware that the relevant fiscal rules or their explanation may change. There can be no assurance that the tax position or the proposed tax position will remain same. In view of the individual nature of tax benefits, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Scheme.

TAXABILITY FOR THE MUTUAL FUND

1. Income of the Mutual Fund

Motilal Oswal Mutual Fund is a Mutual Fund registered with SEBI and is governed by the provisions of Section 10(23D) of the Act. Accordingly, any income of a fund set up under a scheme of a SEBI registered mutual fund is exempt from tax.

2. Dividend Distribution Tax

Mutual Funds (other than **Equity-oriented fund**) shall be liable to pay dividend distribution tax (including applicable surcharge and education cess) at the rate of

- 12.875% (including education cess @2% and Secondary and higher education cess at the rate of 1%), on income distributed to individuals and HUFs.
- 32.445% (including surcharge @5%, education cess @2% and Secondary and higher education cess at the rate of 1%), on income distributed to persons other than an individual or a HUF.

Any income distributed by a money market mutual fund or a liquid fund shall be liable to pay dividend distribution tax at the rate of

- 25.75% (including applicable of education cess of 2% and Secondary and higher education cess at the rate of 1%) , on income distributed to individuals and HUFs.
- 32.445% (including surcharge @5%, education cess @2% and Secondary and higher education cess at the rate of 1%), on income distributed to persons other than an individual or a HUF.

Any income distributed by equity oriented fund is not liable for any dividend distribution tax.

“Equity oriented fund” is defined as -

- a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund; and
- which has been set up under a scheme of a Mutual Fund specified in Section 10 (23D) of the Act

3. Securities Transaction Tax ('STT')

As specified in Chapter VII of the Finance (No. 2) Act, 2004, as and when the Mutual Fund purchases and sells equity shares/units or invests in derivative instruments, it would be required to pay the STT applicable on such purchases and sales to the concerned Regional Stock Exchange at the following rates:

Transaction	Rate of STT	Payable by
Purchase of an equity share in a company / unit of an 'equity oriented fund' where the transaction is entered into in a Recognised Stock Exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Purchaser
Sale of an equity share in a company / unit of an 'equity oriented fund' where the transaction is entered into in a Recognised Stock Exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Seller
Sale of an equity share in a company / unit of an 'equity oriented fund' where the transaction is entered into in a Recognised Stock Exchange and the contract is settled otherwise than by actual delivery or transfer of shares / units.	0.025 %	Seller
Sale of a derivative entered through a recognized stock exchange :		
(a) Sale of an option in securities	0.017%	Seller
(b) Sale of an option in securities, where option is exercised	0.125%	Purchaser
(c) Sale of futures in securities	0.017%	Seller
Sale of a unit of an 'equity oriented fund' to the Mutual Fund.	0.25 %	Seller

Further, an 'equity oriented fund' would be liable to collect STT at the rate of 0.25% from every Unitholder who redeems such units to the Fund and pay the same to the credit of the Central Government within the specified time limits.

TAXABILITY OF THE UNIT HOLDERS IN THE FUND

1. Income from units

Under the provisions of section 10(35) of the Income-tax Act, 1961 ('the Act'), income received in respect of the units of a Mutual Fund (other than income on redemption / transfer of units) specified under section 10(23D) will be exempt from income-tax in the hands of all unit holders.

2. Characterization of Income

The characterization of gains / losses arising from sale / transfer of units as capital gains or business income would depend on whether the units are treated as stock in trade or capital asset.

In this regard, the Central Board of Direct Taxes ('CBDT') has issued a circular No. 4 of 2007 dated June 15, 2007, which reiterates the principles laid down in certain judicial precedents for characterization of income. Further, it advises the Assessing Officers to consider the total effect of all the principles outlined in the earlier judicial decisions in determining whether the shares are held as investments, giving rise to capital gains or as stock in trade, giving rise to business profits.

3. Capital Gains

Under Section 2(29A) read with 2(42A) of the Act, units of a mutual fund are treated as a long-term capital asset if they are held for a period of more than 12 months preceding the date of transfer. Units held for not more than 12 months preceding the date of their transfer are short-term capital assets.

3.1. Long-term capital gains

As per section 112 of the Act, income arising on transfer of units being long-term capital assets by resident and non-resident investors [other than Foreign Institutional Investor ('FII')], would be chargeable to tax at the rate of 20% with indexation or at 10% without indexation, if applicable. In case of FII, such income is chargeable to tax at the rate of 10% under section 115AD of the Act.

In case of an individual or Hindu Undivided Family ('HUF'), being a resident, where the total income as reduced by the long-term capital gains is below the maximum amount not chargeable to tax (i.e. upto Rs. 500,000 for very senior citizens, upto Rs. 250,000 for senior citizens, upto Rs.190,000 in case of women not being a senior citizen and upto Rs.180,000 in case of other individuals), the long term capital gains shall be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to the flat rate of taxation.

In addition to the aforesaid tax, surcharge at the following rates is also payable:

- In case of foreign companies, at the rate of 2% where the income exceeds Rs.10,000,000;
- In case of domestic company, at the rate of 5% where the income exceeds Rs.10,000,000;

An education cess of 3% (inclusive of 1% additional cess for Secondary and Higher education) on total income-tax (including surcharge for corporate assessee) is payable by all categories of taxpayers.

However, in case of an equity-oriented fund, long term capital gains arising from the sale of units of such equity oriented fund are exempt from tax under section 10(38) of the Act, where such sale attracts Securities Transaction Tax ('STT'). At the time of sale of units (redemption) the unit holder will have to pay STT of 0.25% on value of sale of the unit to the Mutual Fund, which will be collected by the Mutual Fund and deposited into Government Treasury.

Income by way of long-term capital gains exempt under section 10(38) of the Act, would be taken into account while computing the book profits of a Company for the purpose of Minimum Alternate Tax payable under section 115JB of the Act.

3.2. Short-term capital gains

Short-term capital gains arising to a unit holder will be taxed at the normal rates applicable to that unit holder as per the provisions of the Act.

In case of an individual or HUF, being a resident, where the total income as reduced by the short term capital gains is below the maximum amount not chargeable to tax (i.e. upto Rs. 500,000 for very senior citizens, upto Rs.250,000 for all senior citizens, upto Rs.190,000 in case of women not being a senior citizen and upto Rs.180,000 in case of other individuals), the short term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such short term capital gains shall be computed at the applicable slab rates. A reference may also be made to the provisions of section 112 of the Act, which provides for a similar treatment in case of long-term capital gains.

In case of domestic companies the short-term capital gains are taxable at the rate of 30%, in case of foreign companies, at the rate of 40% and in case of FII, as per section 115AD of the Act at the rate of 30% (except the case covered by section 111A of the Act discussed in the paragraph below).

As per section 111A of the Act, short term capital gains arising from the sale (redemption) of a unit of an equity oriented fund, where such sale (redemption) attracts STT, is taxable at the rate of 15%. However, at the time of sale of units (redemption) the unit holder will have to pay a STT of 0.25% on the value of the sale of the unit to the Mutual Fund, which will be collected by the Mutual Fund and deposited into Government Treasury.

In addition to the aforesaid tax, surcharge and education cess is also payable as mentioned in para 3.1 above.

4. Units held as Stock-in-trade and rebate of STT

Where the units are treated as 'stock in trade' and the profits arising from the sale of units are taxed under the head "Profits & Gains of business or profession", the amount equal to the STT paid by the unit holder can be claimed as deductible expenses.

5. Deduction under Section 54 of the Act

Section 54 EC

The long-term capital gains on transfer of units would be exempt from tax under Section 54EC of the Act, subject to fulfillment of certain conditions specified in the section. This section requires investments in specified bonds subject to limit of Rupees 50 lakhs. However, if the amount invested is less than the capital gains realized, only proportionate capital gains would be exempt from tax.

Section 54 F

The long-term capital gains on transfer of units would be exempt from tax under Section 54F of the Act in the hands of Individual & HUF, subject to fulfillment of certain conditions specified in the section. This section requires purchase/ construction of residential house within specified period. However, if the amount of purchase/construction is less than the capital gains realized, only proportionate capital gains would be exempt from tax.

6. Set-off and carry forward of losses

The capital loss resulting from sale of units would be available for set off against other capital gains made by the investor and would reduce the tax liability of the investor to that extent. However, losses on transfer of long-term capital assets (except the long term capital losses arising in a sale transaction subject to STT) would be allowed to be set-off only against gains from transfer of long-term capital assets (except long term capital gains arising in a sale transaction subject to STT) and the balance long-term capital loss shall be carried forward separately for a period of eight assessment years to be set off only against long-term capital gains. However, losses on transfer of short-term capital assets would be allowed to be set-off against gains from transfer of long-term & short – term capital assets (except long term capital gains arising in a sale transaction subject to STT) and the balance short-term capital loss shall be carried forward separately for a period of eight assessment years to be set off against long-term capital gains (except long term capital gains arising in a sale transaction subject to STT) & short- term capital gain.

7. Dividend Stripping

Where a person buys any units within a period of three months before the record date, sells such units within nine months after such date and the dividend / income on such units is exempt from tax, the loss on such sale to the extent of the dividend / income received or receivable on units shall be ignored while computing the income chargeable to tax.

8. Bonus Stripping

Where a person buys units (original units) within a period of three months before the record date, receives bonus units on such original units, and then sells the original units within a period of nine months after the record date and continues to hold the bonus units,

then the loss incurred on the original units shall be ignored while computing the income chargeable to tax but shall be deemed to be the cost of acquisition of the bonus units.

9. Switching from one scheme to another

As stated in the respective Scheme Information Documents switching from one Scheme / option to another Scheme / option will be effected by way of redemption of units of the relevant Scheme / option and reinvestment of the redemption proceeds in the other Scheme / option selected by the unit holder. Hence, switching will attract the same implications as applicable on transfer of such units.

10. STT

STT would be chargeable as specified above in point 3 of 'taxability for the mutual fund' on purchase and sale of units of an equity oriented scheme by the unit holders.

11. Tax withholding

No deduction of tax at source shall be made from income credited or paid by a mutual fund to a Unit holder. However, dividend distribution tax, as applicable would be payable by the mutual fund.

11.1. Resident Investors

As per Circular no. 715 dated August 8, 1995 issued by the CBDT in case of resident Unit holders, no tax is required to be deducted at source from capital gains arising at the time of repurchase or redemption of the units.

11.2. Foreign Institutional Investors

Under section 196D of the Act, no tax is required to be deducted at source on income by way of capital gains earned by a FII.

11.3. Non-resident Investors other than FII's

Under Section 195 of the Act, the Mutual Fund is required to deduct tax at source at the rate of 20% on any long-term capital gains arising to non resident investors from units other than units of an equity oriented scheme. Long term capital gains from equity oriented schemes are exempt from tax under section 10(38) of the Act.

In respect to short-term capital gains from units other than units of an equity oriented scheme, tax is required to be deducted at source at the rate of 30% if the payee unit holder is a non-resident non-corporate and at the rate of 40% if the payee unit holder is a foreign company. In case of equity oriented schemes, tax is required to be deducted at the rate of 15% for both corporate and non-corporate non-resident unit holders.

Further, the aforesaid tax to be deducted is required to be increased by surcharge and education cess, as applicable.

As per circular no. 728 dated October 30, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Tax Avoidance Agreement ('DTAA') is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.

12. Religious and Charitable Trusts

Investment in Units of the Fund by Religious and Charitable Trusts is an eligible investment under Section 11(5) of the Act read with Rule 17C of the Income Tax Rules, 1962. However, such investment may be permitted only subject to the state legislation governing Religious and Charitable Trusts in this regard, wherever applicable.

13. Double Tax Avoidance Agreement (DTAA)

The tax rates given hereinabove are subject to any relief that an investor may be entitled to claim under the relevant DTAA.

2. Wealth Tax Act, 1957

Units in a fund are not treated as '*assets*' as defined in section 2(ea) of the Wealth Tax Act, 1957. Hence, they would not be liable to wealth tax.

3. Gift Tax Act, 1958

Since the provisions of the Gift Tax Act, 1958 have ceased to apply with effect from October 1, 1998, gift of units of mutual funds made on or after October 1, 1998 will not be liable to Gift Tax under the Gift Tax Act, 1958. However, pursuant to the Finance Act, 2009, Section 56 of the Income Tax Act has been amended to provide that the aggregate value (exceeding Rupees 50,000) of any property, including units of mutual funds, received without consideration or for inadequate consideration on or after October 1, 2009 (from persons or in situations other than those exempted under Section 56(2)(vii) of the Act) will be included in the computation of total income of the recipient and be subject to tax.

Please note:

The tax incidence to Unit Holders could vary materially based on residential status, characterization of income (i.e. capital gains versus business profits) accruing to them in the Fund.

B. Legal Information

Nomination

(a) Who can nominate/be nominees?

Individuals, on their own behalf, singly or jointly can nominate. Non-individuals including society, trust (other than religious or charitable trust), body corporate, partnership firm, Karta of Hindu Undivided Family, Bank, FII, holder of Power of Attorney cannot nominate.

A minor can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the Unit holder. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust. The Nominee shall not be a trust, other than a religious or charitable trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a Nominee subject to the exchange controls in force, from time to time.

(b) How to Nominate?

A Unit holder can, at the time an application is made, or by subsequently writing to an ISCs, request for a nomination form in order to nominate not more than three individuals, to receive the units upon his/her death, subject to completion of the necessary formalities, e.g. proof of death of the unit holder, signature of the nominees, furnishing of proof of guardianship in case a nominee is a minor, execution of indemnity bond or such other document as may be required from the nominee(s) in favour of and to the satisfaction of the Mutual Fund, the AMC, or the Trustee. If the Units are held jointly, all joint unit holders will be required to sign the nomination form irrespective of the mode of holding being 'Anyone or Survivor' or 'Joint'. Nomination form cannot be signed by Power of attorney (PoA) holders. Every new nomination for a folio/account will overwrite the existing nomination. Investors may please note that nomination is mandatory for folios held in the name of a single individual. Nomination cannot be made in a folio held 'on behalf of a minor'. Further, investors who do not wish to nominate are required to confirm at the time of making an application of their non-intention to nominate. Investors shall indicate clearly the percentage of allocation/ share in favour of each of the nominees against their names, and such allocation/share shall be in whole numbers without any decimals. In the event of the investor not indicating the percentage of allocation/share for each of the nominees, the AMC shall settle the claim equally amongst all the nominees.

(c) Effects of nomination/cancellation of nomination

Nomination in respect of units stands rescinded upon redemption of units. Cancellation of nomination can be made only by those individuals who hold units on their own behalf, singly or jointly, and who made the original nomination. On cancellation, the nomination shall stand rescinded and the AMC/Mutual Fund shall not be under any obligation to transfer the units in favour of any of the nominees. Transfer of units/ payment to a nominee of the sums shall be valid and effectual against any demand made upon the Trust/AMC, and shall discharge the Trust/AMC of all liability towards the estate of the deceased unit holder and his/her successors and legal heirs, executors and administrators.

However, the investors should be aware that the nominee(s) may not acquire title or beneficial interest in the property by virtue of the nomination and that neither the Fund nor the AMC nor the Registrar and Transfer Agent of the Fund will be bound to transfer the units to the nominee in the event of any dispute in relation to the nominee's entitlement to the units.

If the Mutual Fund or the AMC or the Trustee were to incur or suffer any claim, demand, liabilities, proceedings or if any actions are filed or made or initiated against any of them in respect of or in connection with the nomination, they shall be entitled to be indemnified absolutely for any loss, expenses, costs, and charges that any of them may suffer or incur absolutely from the investor's estate.

For units held in electronic form with the Depository, the nomination details provided by the unit holder to the depository will be applicable to the units of the Schemes. Such nomination including any variation, cancellation or substitution of Nominee(s), shall be governed by the rules and bye-laws of the Depository. Payment to the nominee of the sums shall discharge the Fund of all liability towards the estate of the deceased unit holder and his/her legal successors/legal heirs.

In case nomination has been made for demat account with joint holders, in the event of death of any of the joint holder(s), the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holder(s), the securities will be transmitted to the nominee.

In case nomination is not made by the sole holder of demat account, the securities would be transmitted to the account of legal heir(s), as may be determined by an order of the competent court.

Pledge/Assignment of Units

A unit holder may pledge/assign units of the Schemes in favour of scheduled Commercial banks, financial institutions, non-banking financial companies (NBFCs) or any other body Corporate as a security for raising loans. Units can be pledged by completing the requisite forms/formalities as may be required by the Fund. The AMC and/or the Registrar will record a pledge/charge/lien against the units pledged.

The Pledgor may not be allowed to redeem Units so pledged until the bank/financial institutions/NBFCs to which the units are pledged provides a written authorization to the Fund that the pledge/charge/lien may be removed.

As long as the Units are pledged, the Pledgee will have complete authority to redeem such Units. If the units are lodged by the Unit holder for redemption or transfer to another person it will be deemed that the same are released from the pledge and the Fund shall deal with the units as per the request of the member if otherwise in order.

In case the unit pledge are of close ended scheme and if the units are under pledge at the time of maturity of the Scheme, then the AMC reserves the right to pay the maturity amount to the person/bank/financial institution/non-banking finance companies (NBFCs)/any other body in whose favour the lien has been marked. An intimation of such payment will be sent to the investor. The AMC thereafter shall not be responsible for any claims made by the investor/third party on account of such payments.

For units of the Schemes issued and held in Demat form, the rules of Depository applicable for pledge will be applicable for Pledge/Assignment of units of the Schemes.

Note on prevention of money laundering and Know Your Client ('KYC') requirements

Investors may note that in terms of the Prevention of Money laundering Act, 2002 ('PMLA'), the Rules issued thereunder and the guidelines/circulars issued by SEBI regarding Anti Money Laundering (AML) Laws, require all intermediaries, including mutual funds to formulate and implement Client Identification Programme as well as verify and maintain records of the identity and address(es) of investors.

As per AMFI Guidelines, with effect from January 1, 2011, Know Your Client ('KYC') formalities (through CVL platform) under the Prevention of Money Laundering Act, 2002 ('PMLA') and the related guidelines issued by SEBI, are to be completed by all investors,

(including Power of Attorney holders and guardian in case of a minor) intending to invest any amounts in units of the Mutual Fund.

Notwithstanding the above, investors investing through Micro SIP route and investor residing in State of Sikkim shall not be subject to the above KYC formalities.

For investor investing through Micro SIP route (i.e Rs. 50000/- per year per investor) following documents are required:

1. Standard specified identification instruments like Voter ID card, Government/Defense ID card, Card of Reputed employer, Driving License, Passport in lieu of PAN.
2. Proof of address copy. It is clarified that where photo identification documents contains the address of the investor, a separate proof of address is not required.
3. Supporting documents copy shall be self attested by the investor / attested by the ARN holder mentioning the ARN number or attested by any competent authority.

For investors based in State of Sikkim the following documents are required:

1. Proof of address of Sikkim state and application form should mention the same address.
2. Address proof shall be self attested by the investor / attested by the ARN holder mentioning the ARN number or attested by any competent authority.

Change in Static Information

Investors, for whom the KYC process has been previously completed, should submit their request for change in static information, viz. name, address, status, signature, etc. to any of the Point of Services (PoS) appointed by CDSL Ventures Ltd. Investors, who have not complied with the KYC requirement, may submit their request for change in static information to the AMC's Registrar. Other information such as bank account details, dividend sub option etc. may be changed by Unit Holders by submitting a written request to the Registrar. Such changes will be effected within 5 Business Days of the valid signed request reaching the office of the Registrar at Chennai, and any interim financial transactions like purchase, redemption, switch, payment of dividend etc. will be effected with the previously registered details only. If any change in static information is submitted along with a financial transaction, the change will be handled separately and the financial transaction may be processed with the previously registered details. Unit Holders are therefore advised to provide requests for change in static information separately and not along with financial transactions. Investors transacting through the stock exchange mechanism should approach their respective Depository Participant for non-financial requests/applications such as change of address, change of bank, etc.

- Any request for change of bank mandate details will be entertained only if the Unit Holder provides any of the following documents along with the designated change request form.
- copy of a cheque leaf of the new bank account (where the account number and name is printed on the cheque) or
- a cancelled cheque pertaining to the new bank account (where the account number and name is printed on the cheque) or
- a letter from the new bank certifying the bank account details, including the MICR code & IFS C Code (where available)

- Any request for change of bank mandate details without the above mentioned documents will be considered invalid and will not be processed.
- Any change in dividend sub option due to additional investment or Unit Holder request will be applicable to the entire Units in the dividend option of the scheme/plan concerned.
- Unit Holders may write to the AMC or the Registrar to change the broker code of their transactions or to remove the broker code. Any such request will be handled on a prospective basis and the change in broker code will be effected within 5 days from the date when the Registrar receives the request at it's office.

In compliance to AMFI Best Practice Guidelines circular No. 17/10-11 dated October 22, 2010, the Mutual Fund has introduced Multiple Bank Account Registration Facility for its unitholders, where in Unitholder can register more than one bank account with the Mutual Fund to receive redemption/dividend proceeds. The Unitholder may choose to receive the redemption/dividend proceeds in any of the bank accounts, the details of which are registered under the facility by specifying the same in the "Bank Accounts Registration form" which will be available at our Investor Service Centers/Registrar and Transfer Agents offices and on the website of the Fund, this facility was introduced w.e.f November 15, 2010.

Note: In case of units held in electronic (demat) mode, the bank details as registered in the records of the Depository will be final and will be used for credit of dividend and redemption proceeds. Any change in bank details shall be communicated to the Depository Participants and unitholder will be required to comply with the requirements specified by Depositories in this regard from time to time.

Investment made on behalf on Minor

1. Accounts of Minor:

- i. The minor shall be the first and the sole holder in an account/folio. There shall not be any joint accounts/folios with minor as the first or joint holder
- ii. Guardian in the folio on behalf of the minor should be either a natural guardian (i.e. father or mother) or a court appointed legal guardian. A document evidencing the relationship should be submitted to the AMC/Registrar of Fund.
- iii. The following documents evidencing the date of birth of the minor shall mandatorily be required while opening the account on behalf of minor:
 - a. Birth certificate of the minor, or
 - b. School leaving certificate / Mark sheet issued by Higher Secondary Board of respective states, ICSE, CBSE etc., or
 - c. Passport of the minor, or
 - d. Any other suitable proof evidencing the date of birth of the minor.

2. Minor Attaining Majority - Status Change: When the units are held on behalf of the minor, the ownership of the units rests with the minor. A guardian operates the account until the minor attains the age of majority.

- (i) The AMC/Registrar shall send an advance notice to the guardian and minor to submit an application form along with prescribed documents to change the status

- of the account to “major”. AMC/Registrar shall send these intimations by email and mobile alerts where email ids and mobile numbers are available.
- (ii) The account shall also be frozen for operation by the guardian on the day the minor attains the age of majority and no transactions (financial/non-financial including fresh registration of Systematic Transfer Plan (STP), Systematic Investment Plan (SIP) and Systematic Withdrawal Plan (SWP) after the date of the minor attaining majority) shall be permitted till the documents for changing the status are received by AMC/Registrar.
 - (iii) The AMC/Registrar will continue to process the existing standing instructions including STP, SIP and SWP registered prior to the minor attaining majority till the time an instruction from the major to terminate the standing instruction is received by the AMC/Registrar along with the prescribed documents. It may also be noted that the standing instruction shall be terminated within 30 days from the date of receiving the instruction.
 - (iv) The AMC/Registrar shall register standing instructions like SIP, SWP, STP in a minor folio only till the date of the minor attaining majority, though the instructions may be for a period beyond that date.
 - (v) The following documents shall be submitted to change the account status from minor to major:
 - a. Services Request form, duly filled and containing details like name of major, folio numbers, etc.
 - b. New Bank mandate where account changed from minor to major,
 - c. Signature attestation of the major by a manager of a scheduled bank / Bank Certificate / Letter,
 - d. KYC acknowledgement of the major.

3. Change in Guardian:

- (i) In case there is a change in the guardian of the minor either due to mutual consent or demise of existing guardian, the following documents will be required to be submitted to the AMC/Registrar in order to register the new guardian who shall be a natural guardian (father or mother) or a court appointed legal guardian:
 - a. Request letter from the new guardian,
 - b. No Objection Letter (NoC) or Consent Letter from existing guardian or Court Order for new guardian, in case the existing guardian is alive.
 - c. Notarized copy or attested copy of the Death Certificate of the deceased guardian, where applicable. The attestation may also be done by a special executive magistrate, AMC authorised official or manager of a scheduled bank.
 - d. A document evidencing the relationship of the guardian shall be required if the same is not available as part of the documents submitted as per point A(iii) above.
 - e. Bank attestation attesting the signature of the new guardian in a bank account of the minor where the new guardian is registered as the guardian.
 - f. KYC Acknowledgement Letter of the new guardian.

Transfer of Units

Units held, either in the form of Account Statements or Unit Certificates are non-transferable. The Trustee reserves the right to make the Units transferable at a later date subject to the Regulations issued from time to time.

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

Any addition/deletion of name from the folio of the Unit holder is deemed as transfer of Units. In view of the same, additions/deletions of names will not be allowed under any folio of the Scheme. The said provisions in respect of deletion of names will not be applicable in case of death of a Unit holder (in respect of joint holdings) as this is treated as transmission of Units and not transfer.

Units held in demat form shall adhere to the rules of transfer in the depository regulations.

Transmission of Units

The following documents are required for transmission under various situations:

1. Transmission to surviving unit holders in case of death of one or more unitholders:

In case units are held by more than one registered unit holder, then upon death of first unit holder, units shall be transmitted in favour of the second named holder on production of the following documents to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar:

- (i) Letter from surviving unitholders to the AMC/Registrar requesting for transmission of units,
- (ii) Death Certificate in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- (iii) Bank Account Details of the new first unit holder as per format specified by the AMC along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- (iv) KYC of the surviving unit holders, if not already available.

2. Transmission to registered nominee/s in case of death of Sole or All unit holders:

Units shall be transmitted in favour of the registered nominee(s) in case of death of sole or all Unit holders upon production of the following documents to the satisfaction of the Mutual Fund, AMC/ Trustee or Registrar:

- (i) Letter from claimant nominee/s to the AMC / Registrar requesting for transmission of units,
- (ii) Death Certificate/s in original or photocopy duly notarized or attested by gazette officer or a bank manager,

- (iii) Bank Account Details of the new first unit holder as per format specified by the AMC along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- (iv) KYC of the claimant/s.
- (v) If the transmission amount is Rs. 1 Lakh or more: indemnity duly signed and executed by the nominee/s in the specified format.

3. Transmission to claimant/s, where nominee is not registered, in case of death of Sole or all unit holders:

If the Unit holder has not appointed a nominee, the Units shall be transmitted in favour of the Unit holder's executor/administrator of estate/legal heir(s), as the case may be, on production of the following documents:

- (i) Letter from claimant/s to the AMC / Registrar requesting for transmission of units,
- (ii) Death Certificate/s in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- (iii) Bank Account Details of the new first unit holder as per format specified by the AMC along with attestation by a bank branch manager or cancelled cheque bearing the account details and account holders name.
- (iv) KYC of the claimant/s,
- (v) Indemnity Bond from legal heir/s as per specified format.
- (vi) Individual affidavits from legal heir/s as per specified format.
- (vii) If the transmission amount is below Rs. one Lakh any appropriate document evidencing relationship of the claimant/s with the deceased unitholder/s.
- (viii) If the transmission amount is Rs. 1 Lakh or more any one of the documents mentioned below:
 - a. Notarised copy of Probated Will, or
 - b. Legal Heir Certificate or Succession Certificate or Claimant's Certificate issued by a competent court, or
 - c. Letter of Administration, in case of Intestate Succession.

4. Transmission in case of HUF, due to death of Karta:

HUF, being a Hindu Undivided Family, the property of the family is managed by the Karta and HUF does not come to an end in the event of death of the Karta. In such a case, the members of the HUF will appoint the new Karta who needs to submit following documents for transmission:

- (i) Letter Requesting for change of Karta,
- (ii) Death Certificate in original or photocopy duly notarized or attested by gazette officer or a bank manager,
- (iii) Duly certified Bank certificate stating that the signature and details of new Karta have been appended in the bank account of the HUF as per format specified by the AMC
- (iv) KYC of the new Karta and KYC of HUF, if not already available.
- (v) Indemnity bond signed by all the surviving coparceners and new Karta as per format specified by the AMC.
- (vi) In case of no surviving co-parceners OR the transmission amount is Rs One Lakh or more or where there is an objection from any surviving members of the HUF,

transmission shall be effected only on the basis of any of the following mandatory documents:

- a. Notarized copy of Settlement Deed, or
- b. Notarized copy of Deed of Partition, or
- c. Notarized copy of Decree of the relevant competent Court

Please note that if the transmission exceeds Rs. 1 lakh or more, the AMC reserves the right to seek additional documents on a case-to-case basis. Also, where the units are to be transmitted to a claimant who is a minor, various documents like KYC, PAN, Bank details, indemnity should be of the guardian of the nominee.

Units held in demat form shall adhere to the rules of transmission in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 1996.

Duration of the Schemes/Winding up

For Open Ended Schemes

The duration of the Schemes is perpetual. The AMC, the Fund and the Trustees reserve the right to make such changes/alterations in the Schemes (including the charging of fees and expenses) to the extent permitted by the applicable SEBI Regulations. However, in terms of the Regulations, a Scheme may be wound up after repaying the amount due to the Unit holders:

- i. On the happening of any event, which in the opinion of the Trustee(s), requires the Scheme to be wound up; or
- ii. Seventy five percent (75%) of the Unit holders of the Scheme pass a resolution that the Scheme be wound up, or
- iii. If SEBI so directs in the interest of the Unit holders.
- iv. If the Scheme is not able to meet the criteria laid down by SEBI for minimum number of investors.

Where the Scheme is so wound up, the Trustees shall give notice of the circumstances leading to the winding up of the Scheme to SEBI and in two daily newspapers with circulation all over India and also in a vernacular newspaper circulating at the place where the Mutual Fund is formed.

For Close Ended Scheme

The duration of a Close Ended Scheme would be till the maturity date and will be fully redeemed on such maturity date. The Scheme can be converted to an open ended scheme, if:

1. The Scheme Information Document of the scheme discloses the option and the period of such conversion.
2. The Unit holders are provided with an option to redeem their units in full.

A close ended Scheme may be allowed to be rolled over if the purpose, period and other terms of roll over and all other material details of the Scheme including the likely composition of the assets immediately before the roll over, the net assets and the net

assets value of the Scheme are disclosed to the unit holders and a copy of the same has been filed with SEBI.

The Trustee reserves the right to convert the close ended Scheme to an open ended Scheme after complying with provisions of SEBI (Mutual Funds) Regulations. The Trustees may also roll over the Scheme for a further period at their discretion after complying with Mutual Funds Regulations.

The close ended Scheme may be wound up before the maturity of the Scheme after complying with necessary regulations. Where the Scheme is so wound up, the Trustees shall give notice of the circumstances leading to the winding up of the Scheme to SEBI and in two daily newspapers with circulation all over India and also in one vernacular newspaper with circulation at the place where the Mutual Fund is formed.

Effect of Winding Up

On and from the date of the publication of notice of winding up, the Trustee or the AMC, as the case may be, shall:

- i. Cease to carry on any business activities in respect of the Scheme so wound up;
- ii. Cease to create or cancel Units in the Scheme;
- iii. Cease to issue or redeem Units in the Scheme.

Procedure and manner of Winding up

In the event of the Scheme being wound up, the AMC shall proceed as follows:

1. The Trustee shall call the meeting of the unit holders to consider and to approve by simple majority of the Unit holders present and voting at the meeting for authorizing the Trustee, the AMC or any other person to take steps for the winding up of the Scheme.
2. The Trustee, the AMC or the person authorized as above shall dispose of the assets of the Scheme concerned in the best interest of unit holders of the Scheme.
3. The proceeds of sale realized in pursuance of the above, shall be first utilized towards discharge of such liabilities as are due and payable under the Scheme and after making the provisions for meeting the expenses connected with such winding up, the balance shall be paid to Unit holders in proportion to their respective interest in the assets of the Scheme, as on the date when the decision for winding up was taken.
4. On completion of the winding up, the AMC shall forward to SEBI and the unit holders a report on the winding up, detailing the circumstances leading to the winding up, the steps taken for disposal of the assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unit holders and a certificate from the auditors of the Fund.
5. Notwithstanding anything contained herein above, the provisions of the Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until winding up is completed or the Scheme ceases to exist.
6. After the receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

Suspension of Sale/Redemption/Switching Options of Units

The Trustee may decide to temporarily suspend determination of NAV of the Schemes and consequently sale/redemption/switch of units, in any of the following events:

1. When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Schemes are closed otherwise than for ordinary holidays.
2. When, as a result of political, economic or monetary events or any circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Schemes are not reasonable or would not reasonably be practicable without being detrimental to the interests of Unit holders.
3. In the event of breakdown in the means of communication used for the valuation of investments of the Schemes without which the value of the securities of the Schemes cannot be accurately calculated.
4. During periods of extreme volatility of markets which in the opinion of the AMC are prejudicial to the interests of the Unit holders of the Schemes.
5. In case of natural calamities, external aggression, internal disturbances, strikes, riots and bandhs.
6. In the event of any force majeure or disaster that affects the normal functioning of the AMC or the Registrar.
7. If so directed by SEBI.
8. In case of breach of limits for investment in derivatives as specified in SEBI Circulars or relevant Regulation.
9. In case of breach of limits for investment in foreign securities as specified in SEBI Circulars or relevant Regulation.

In the eventualities mentioned in points 1 to 7 above, the time limits indicated above, for processing of requests for purchase and redemption of Units will not be applicable. In case of eventuality mentioned in point 8 and 9 above, the Fund would suspend sale of units until such time the Schemes are able to comply with the relevant SEBI Regulations, Circulars & guidelines.

However the suspension or restriction of redemption facility under the Schemes shall be made applicable only after the approval from Board of Directors of the AMC and Trustee. Till the Regulations require, the approval from the Board of AMC and Trustee giving details of circumstances and justification for the proposed action will also be informed to SEBI in advance.

Unclaimed Redemption/Dividend Amount

As per SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, the unclaimed redemption amount and dividend amounts may be deployed by the Mutual Fund in call money market or money market instruments only and the investors who claim these amounts during a period of three years from due date shall be paid at the prevailing Net Assets Value. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of third year. The income earned on such investments will be used for the purpose of investor education. The AMC will make a continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.

C. General Information

Recording of Investment Decisions

The investment decisions will be taken for the Schemes keeping in view the market conditions, investment objective of the Schemes and all the relevant aspects. The AMC will review all the investments made by the Schemes. The investment decisions of the Schemes will be carried out by the designated fund manager under the supervision of the Chief Executive Officer wherever applicable. All investment decisions of the Scheme will be recorded in accordance with SEBI Regulations.

Review of performance of Scheme(s) by Board of AMC and Trustees

A detailed review of the Schemes of the Fund will be placed before the Board of Directors of AMC and the Trustee on a quarterly basis. The review will contain information about the inflow in the Schemes, outflow/redemption from the Schemes and the performance of the Schemes. The Board of AMC and Trustee will review the performance of the Schemes vis-à-vis the benchmark. The Trustee reserves the right to change the benchmark for evaluation of performance of the Schemes from time to time in conformity with investment objective of the Schemes and appropriateness of the benchmark subject to SEBI Regulations, and other prevailing guidelines, if any.

Underwriting

The Schemes will not accept underwriting and sub underwriting obligations.

Lending of Securities

The Schemes may lend securities from its portfolio in accordance with the Regulations and the applicable SEBI guidelines. Securities' lending shall enable the Schemes to earn income that may partially offset the expenses of the Schemes and thereby reduce the effect of the expenses have on the Schemes ability to provide investment returns. The Schemes will pay reasonable administrative and custodial fees in connection with the loan of securities. The Schemes will be exposed to the risk of loss should a borrower default on its obligation to return the borrowed securities. The Schemes share of income from the lending of securities will be included in the Schemes gross income. The Fund will comply with the conditions for securities lending specified by the SEBI.

The maximum exposure of each Scheme to a single intermediary in the stock lending programme at any point of time would be limited to 50% of the market value of the equity portfolio of such Scheme or upto such limits as may be specified by SEBI. Each Scheme will not lend more than 75% of its corpus.

Borrowing of Securities

If the Mutual Funds are permitted to borrow stocks, the Schemes may in appropriate circumstances borrow stocks in accordance with SEBI guidelines, which may be issued in this regard. The respective Scheme may bear the interest charged on such borrowings.

Policy for Borrowing

In terms of Regulations as presently prevailing, each Scheme shall have powers to borrow up to a maximum of 20% of the net assets of such Scheme as on the date of

borrowing for a maximum duration of 6 months or as may be permitted under prevailing regulations. This borrowing shall be used only to meet repurchase/redemption of units/dividends or interest payouts as a temporary liquidity measure as per Regulation 44(2) of Chapter VI of SEBI (Mutual Funds) Regulations, 1996, on such terms (as to creation of charge on the properties of the Scheme, rate of interest, margins etc.) as the Trustee/AMC considers to be in the interest of investors. Such borrowings, if raised, may result in a cost, which would be dealt with in consultation with the Trustee.

Inter-Scheme Transfer

The transfer of investments from one Scheme to another Scheme in the same mutual fund shall be allowed only if: -

1. Such transfers are done at the prevailing market price for quoted investments on spot basis.
2. The securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfers have been made.

Explanation: 'Spot basis' shall have same meaning as specified by Stock Exchange for spot transaction.

Mode of Holding

An application can be made by up to a maximum of three applicants. Applicants must specify the 'mode of holding' in the Application Form.

If an application is made by one Unit Holder only, then the mode of holding will be considered as 'Single'.

If an application is made by more than one investors, they have an option to specify the mode of holding as either 'Jointly' or 'Anyone or Survivor'.

In either of the cases referred above i.e. application made by one investor/more than one investor, the Fund shall not entertain requests for including any other person as a joint holder once the application has been accepted.

If the mode of holding is specified as 'Jointly', all instructions to the Fund would have to be signed by all the Unit Holders, jointly. The Fund will not be empowered to act on the instruction of any one of the Unit Holders in such cases.

If the mode of holding is specified as 'Anyone or Survivor', an instruction signed by any one of the Unit Holders will be acted upon by the Fund. It will not be necessary for all the Unit Holders to sign.

If an application is made by more than one investor and the mode of holding is not specified, the mode of holding would be treated as joint. The Fund will not be empowered to act on the instruction of any one of the Unit Holders in such cases.

In all cases, all communication to Unitholders (including account statements, statutory notices and communication, etc.) will be addressed to the first-named Unitholder. All payments, whether for redemptions, dividends, etc will be made favouring the first-

named Unitholder. The first named Unitholder shall have the right to exercise the voting rights associated with such Units as per the applicable guidelines.

Investors should carefully study the paragraphs on “Transfer and Transmission” and “Nomination Facility” before ticking the relevant box pertaining to the mode of holding in the Application Form.

Units held in electronic form with the depository shall adhere to the rules of the depository for operation of such DP accounts.

Folio Number

Each investor will be identified by a Folio Number. Folio number should be quoted in all communications.

Units held in electronic form with the depository shall not be assigned a folio number. Unit holders shall quote Depository Participant Identification No. and Client Identification No. in all its communications.

Investor's Personal Information

The AMC may share investors' personal information with the following third parties:

1. Registrar, Banks and/or authorised external third parties who are involved in transaction processing, despatches, etc. of investors' investment in the Schemes;
2. Distributors or Sub-brokers through whom applications of investors are received for the Schemes; or
3. Any other organisations for compliance with any legal or regulatory requirements or to verify the identity of investors for complying with anti-money laundering requirements.

Auto Debit and Electronic Clearing Service

The AMC may from time to time provide Electronic Clearing Services/Electronic Fund Transfer facility to the investors for subscriptions, redemptions and for payment of dividends. The investor opting for Electronic Clearing Services/Electronic Fund Transfer may be required to sign a mandate form on the basis of which the Fund will arrange for debiting and/or crediting his account as per the frequency, amount and date chosen by the investor or as and when dividend is declared.

Payment of Redemption Proceeds

Repurchase proceeds will be paid by cheques, marked “Account Payee Only” and payments will be made in favour of the Unit holder (in case there are more than one registered holder, then the payment will be made in name of first holder only) with the Bank account number furnished to the Fund. Redemption cheques will be sent to the address of the unit holder as registered with the Fund and in case of the joint holding, to the address of the first unit holder.

As per the SEBI Regulations, the Mutual Fund is required to dispatch redemption proceeds within 10 working days from the date of redemption/repurchase. However, under the normal circumstances, the Fund will endeavour to dispatch the redemption proceeds within 10 working days from the date of redemption/repurchase.

A fresh account statement will also be sent to the unit holder redeeming units, indicating the new balance to the credit in the account, along with the redemption cheque.

Repurchase by Non-Resident Investors

For NRI's, Redemption proceeds will be remitted depending upon the source of investment as follows :

(i) Repatriation basis

When Units have been purchased through remittance in foreign exchange from abroad or by cheque/draft issued from the proceeds of the Unit holder's Foreign Currency Non Resident (FCNR) deposit or from funds held in the Unit holder's Non Resident (external) (NRE) account kept in India, the proceeds can be remitted to the Unit holder in foreign currency (any exchange rate fluctuation will be borne by the Unit holders). The proceeds can also be sent to his India address for crediting to his NRE/FCNR/Non Resident (Ordinary) Account, if desired by the Unit holders.

(ii) Non Repatriation Basis

When Units have been purchased from funds held in the Unit holder's Non Resident (Ordinary) Account, the proceeds will be sent to the Unit holder's Indian address for crediting to the Unit holders Non Resident (Ordinary) Account.

For FII's, the designated branch of the authorized dealer may allow remittance of net sale/maturity proceeds (after payment of taxes) or credit the amount to the foreign currency or Non Resident Rupee Account of the FII maintained in accordance with the approval granted to it by the Reserve Bank of India.

The Fund will not be liable for any delays or for any loss on account of any exchange fluctuations, while converting the rupee amount in foreign exchange in the case of transactions with NRIs/FIIs.

Refunds, interest, dividends, other distributions, if any, and maturity proceeds/repurchase price will be payable in Indian Rupees only.

Set-off

The AMC shall have the right to set-off dividend amounts, redemption amounts or any other amounts that may be payable to an investor under the Scheme :

- (i) against redemption proceeds already paid by the AMC in respect of units created without realizing the subscription amounts, and/or
- (ii) against any excess payments made (and, in the case of payments by cheque, whether encashed or not) to such investor, under the Scheme or under any other Scheme of the Fund managed by the AMC in the same folio or any other folio of such investor in the Fund.

Distributors

The Fund intends to utilize the services of selected financial intermediaries for distribution and may pay brokerage to them depending upon the efficiency and other factors as may be decided by the AMC. The AMC is the sole authority to select such

financial intermediary/intermediaries who would distribute the Schemes. Further, the AMC may appoint one or more exclusive distributors, at its discretion, based on the parameters decided by the AMC.

TRANSACTIONS WITH SPONSORS/ASSOCIATE

Underwriting obligations with respect to issues of Associate Companies:

The schemes of the Mutual Fund have not entered into any underwriting obligation with respect to issues of associate companies, and have no devolvement.

Subscription in issues lead managed by the Sponsor or any of its associates:

The schemes of the Mutual Fund have not subscribed in issues lead managed by the sponsor or any of its associate Companies.

Brokerage and Commission paid to Associates during the past three financial years including current year

Brokerage paid to associates/related parties/group companies of Sponsor/AMC for Secondary Market Transactions

Year 2010-2011

Name of associates/ related parties/group companies of Sponsor/AMC	Nature of Association / Nature of relation	Period Covered	Value of Transaction (Rs. in crores)	% of Total Value of Transaction of the fund	Brokerage (Rs. in crores)	% of total Brokerage paid by the fund
Motilal Oswal Securities Ltd.	Sponsor	28-Jul-2010 to 31-Mar-2011	30.74	4.15%	0.01	4.48%

- Commission paid to associates/related parties/group companies of Sponsor/AMC for Distribution and Sale of Units:

Current Year : 2010 – 2011

Name of associate / related parties/ group companies of Sponsor/ AMC	Nature of Association / Nature of relation	Period covered	Business given (Rs. in crores)	Business given (in % of total business received by the fund)	Commission paid (Rs. in crores)	% of total Commission paid by the fund
Motilal Oswal Securities Ltd.	Sponsor	28-Jul -2010 to 31-Mar-2011	185.79	38.24%	1.45	50.86%

As provided under the SEBI Regulations, the Scheme shall not make any investments in:

1. Any unlisted security of an associate or group company of the Sponsor; or
2. Any security issued by way of private placement by an associate or group company of the Sponsor; or
3. The listed securities of group companies of the Sponsor in excess of 25% of the assets of all the Schemes of the Mutual Fund.

The AMC, Sponsor or any associate may invest in units of the Schemes (the existing Schemes, including Schemes as may be launched from time to time). The percentage of such investments will vary from time to time. However the AMC shall not charge any management fees on its own investment in the units of the Schemes of the Fund.

Documents for Inspection

The following documents will be available for inspection at the office of Motilal Oswal Mutual Fund at 81/82, Bajaj Bhavan, Nariman Point, Mumbai 400021 during business hours on any day (excluding Saturdays, Sundays and public holidays).

- i Memorandum & Articles of Association of AMC.
- ii Investment Management Agreement.
- iii Trust Deed and amendments thereto, if any.
- iv Mutual Fund Registration Certificate.
- v Agreement with the Mutual Fund and the Custodian.
- vi Agreement with Registrars' and Transfer Agents.
- vii Consent of the Auditors to act in the said capacity.
- viii Consent of the Legal Advisors to act in the said capacity.
- ix Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 and amendments from time to time thereto.
- x Indian Trust Act, 1882.

Investor Grievance Redressal Mechanism

Investor can approach the office of AMC or Registrar or any of the Branches of Registrar for redressal of their Grievances. The AMC has appointed Mr. Sanjay Dongre as Investor Relation Officer. He can be contacted at registered office of the Company at:

Motilal Oswal Asset Management Company Limited
81/82, Bajaj Bhavan,
Nariman Point,
Mumbai - 400021
Tel No.: (91 22) 39804120
Fax No.: (91 22) 22618181
Email id: sanjay.dongre@motilaloswal.com

Details of Investor Complaints received and redressed during last financial years are as below:

Period	FY 08-09		FY 09-10		FY 10-11	
Name of the Scheme	Received	Redress	Received	Redress	Received	Redress
Motilal Oswal MOST Shares M50 ETF (MOST Shares M50)	-	-	-	-	6	6
Motilal Oswal MOST Shares Midcap 100 ETF (MOST Shares Midcap 100)	-	-	-	-	1	1
Motilal Oswal MOST Shares NASDAQ-100 ETF (MOST Shares NASDAQ 100)	-	-	-	-	0	0

Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.

ADDENDUM NO. 1

Addendum to the Statement of Additional Information dated July 21, 2011

A. Resignation of Key Personnel of Motilal Oswal Asset Management Company Limited

Ms. Sarika Shah, Company Secretary & Compliance Officer has resigned from the services of Motilal Oswal Asset Management Company Limited with effect from July 21, 2011 and thus ceases to be the key personnel of the Company. All the references pertaining to Ms. Sarika Shah in the Statement of Additional Information stands deleted.

B. Appointment of Key Personnel of Motilal Oswal Asset Management Company Limited

Ms. Trupti Vyas has been appointed as the Key Personnel of Motilal Oswal Asset Management Company Limited (“MOAMC”) with effect from July 21, 2011.

The following details pertaining to Ms. Trupti Vyas shall be a part of the section ‘**Information on Key Personnel**’ in the Statement of Additional Information:

Name/Designation	Age/Qualification	Brief Experience
Ms. Trupti Vyas Company Secretary & Compliance Officer	35 years / B.Com, C.S., L.L.B.	Ms. Trupti Vyas is a qualified Company Secretary and a law graduate. She is having eight years of rich experience in compliance with companies such as Canara Robeco Asset Management Company Ltd., DBS Cholamandalam Asset Management Company Ltd., Benchmark Asset Management Pvt. Ltd. Her last assignment was with ASK Investment Managers Pvt. Ltd. as a Compliance Officer of the Company.

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated July 21, 2011.

ADDENDUM NO. 2

Addendum to the Statement of Additional Information dated September 28, 2011

Resignation of Key Personnel of Motilal Oswal Asset Management Company Limited

Mr. Sanjay Dongre, Chief Operations Officer has resigned from the services of Motilal Oswal Asset Management Company Limited and thus ceases to be the key personnel of the Company. Hence, all the references pertaining to Mr. Sanjay Dongre in the Statement of Additional Information stands deleted.

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated September 28, 2011.

ADDENDUM NO. 3

Addendum to the Statement of Additional Information dated October 31, 2011

Appointment of Director on the Board of Motilal Oswal Trustee Company Limited

Mr. Brij Gopal Daga has been appointed as the Director on the Board of Motilal Oswal Trustee Company Limited (“MOTC”) with effect from October 21, 2011 in place of Mr. B. K. Datta.

The following details pertaining to Mr. Brij Gopal Daga shall be a part of the section ‘**Details of Trustee Directors**’ in the Statement of Additional Information:

Name	Age/Qualification	Brief Experience
Mr. Brij Gopal Daga	67 / M Com, ACS &AIA (lon.), Diploma in Banking & Cooperation of Indain Institute of Banking Govt. Com. Diploma of Govt of Maharashtra	<p>Mr. Daga is an Independent Director on the Board of Motilal Oswal Trustee Company Limited.</p> <p>Mr. Daga has rich and varied experience of more than 4 decades. He has worked in RBI for 25 years and thereafter in UTI for 14 years in various capacities looking after practically all aspects of mutual funds including joint venture AMC's in Colombo, Cairo, and Mauritius, managing offshore funds in India including their structuring, administration etc.</p> <p>He has represented UTI on many corporate boards including ITC, L&T, IL&FS, Stockholding Corp.</p> <p>He is also associated as a Director on the Board of various Companies.</p>

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated **October 31, 2011**.

ADDENDUM NO. 4

Addendum to the Statement of Additional Information dated November 7, 2011

A. Appointment of Key Personnel for Motilal Oswal Asset Management Company Limited

Mr. Kantish Salian has been appointed as the Key Personnel of Motilal Oswal Asset Management Company Limited (“MOAMC”) with effect from November 1, 2011.

The following details pertaining to Mr. Kantish Salian shall be a part of the section ‘**Information on Key Personnel**’ in the Statement of Additional Information:

Name/Designation	Age/Qualification	Brief Experience
Mr. Kantish Salian Vice – President , Operations	42/B.com, Master of Administrative Management	Mr. Kantish Salian has wide & varied experience of 19 years in Client Services, Operations and Product/ processes roles in Asset Management, Securities Services & Transfer Agency businesses in MNC & Domestic financial Institutions. His last assignment was with IDFC Asset Management Company Limited as Head Operations & Head – Projects.

B. Cessation from the Key Personnel of Motilal Oswal Asset Management Company Limited for Mutual Fund Business

Mr. Taher Badshah has been appointed as Fund Manager for PMS Strategies of the Portfolio Management business of the Company. Hence, he ceases to be key personnel for Mutual Fund business of the Company.

Pursuant to above, all the references pertaining to Mr. Taher Badshah in the Statement of Additional Information stands deleted.

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated **November 7, 2011**.

ADDENDUM NO. 5

Addendum to the Statement of Additional Information dated December 7, 2011

Appointment of Key Personnel for Motilal Oswal Asset Management Company Limited

Mr. Abhiroop Mukherjee has been appointed as the Key Personnel of Motilal Oswal Asset Management Company Limited (“MOAMC”) with effect from December 1, 2011.

The following details pertaining to Mr. Abhiroop Mukherjee shall be a part of the section ‘**Information on Key Personnel**’ in the Statement of Additional Information:

Name/Designation	Age/Qualification	Brief Experience
Mr. Abhiroop Mukherjee Sr. Manager-Fixed Income	29/B.com and PGPBF (Finance)	Mr. Abhiroop Mukherjee has varied experience of 4 years in trading in Government Securities, Treasury Bills & Corporate bonds. His last assignment was with PNB Gilts Ltd., Mumbai as Assistant Vice President –Fixed Income Securities.

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated **December 7, 2011**.

ADDENDUM NO. 6

Addendum to the Statement of Additional Information dated December 30, 2011

Uniform KYC requirements for investors in the Securities market

Pursuant to SEBI Circular Numbers MIRSD/SE/Cir-21/2011 & MIRSD/Cir-23/2011 dated October 5, 2011 and December 23, 2011 respectively; in order to avoid duplication of KYC process across SEBI Registered Intermediaries in the securities market; a mechanism for centralization of the KYC records has been developed. To bring uniformity in the KYC process, SEBI has introduced a Common KYC Application Form for all SEBI Registered Intermediaries including Mutual Funds. Further SEBI Circular Number MIRSD/Cir- 26 /2011, dated December 23, 2011 provides guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV).

Accordingly with effect from January 1, 2012, investors of Motilal Oswal Mutual Fund are requested to note the following:

New investors are requested to use the common KYC Application Form and carry out the KYC process including In-Person Verification (IPV) with any of the SEBI Registered Intermediaries including Mutual Funds. The Mutual Fund shall perform the initial KYC of its new investors and may undertake additional KYC measures if required. Registrar & Transfer Agent (RTA) of the Mutual Fund may also undertake the KYC of the investors on behalf of the Mutual Fund. The KYC Application Forms are available on our website www.mostshares.com

The Mutual Fund shall upload the details of the investors on the system of the KRA. Mutual Fund/Intermediaries carrying out the KYC process shall send documents to KRAs within 10 working days from the date of execution of the documents by the investor. Further, KRA shall send a letter to the investor within 10 working days of the receipt of the initial/updated KYC documents from the Mutual Fund/Intermediaries, confirming the details thereof.

It has been made mandatory for Mutual Fund/ Intermediaries to carry out In-Person Verification (IPV) of its new investors. Once the investor has done KYC with a SEBI Registered Intermediary, the investor need not undergo the same process again with another Intermediary. However, the Mutual Fund reserves the right to carry out fresh KYC of the investor. IPV can be carried out by the Motilal Oswal Asset Management Company Ltd. and the distributors who are National Institute of Securities Market (NISM) or Association of Mutual Funds in India (AMFI) Certified and have undergone the process of 'Know Your Distributor (KYD)'. In case of applications received by the mutual funds directly from the investor (i.e. not through any distributor), the Mutual Fund may rely upon the IPV (on the KYC Application Form) performed by the scheduled commercial banks.

Investor can start investing as soon as the initial KYC is done and other necessary information is obtained while the remaining process of KRA is in progress. Existing KYC compliant investor can continue to invest as per the current practice. However, existing investors are urged to comply with the new KYC requirements including IPV as mandated by SEBI.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

All other contents of the Statement of Additional Information remain unchanged.
This Addendum is dated **December 30, 2011**.

ADDENDUM NO. 7

Addendum to the Statement of Additional Information dated January 18, 2012

Resignation of Director of Motilal Oswal Asset Management Company Limited

Mr. Vijay Mehra, Independent Director have resigned from the Board of Motilal Oswal Asset Management Company Limited (“MOAMC”) with effect from January 17, 2012; hence he ceases to be Director of MOAMC and all the references pertaining to Mr. Vijay Mehra in the Statement of Additional Information stands deleted.

All other contents of the Statement of Additional Information remain unchanged.

This addendum forms an integral part of the Statement of Additional Information of Motilal Oswal Mutual Fund as amended from time to time.

This Addendum is dated **January 18, 2012**.