

STATEMENT OF ADDITIONAL INFORMATION (SAI)

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STATEMENT OF ADDITIONAL INFORMATION (SAI)

This Statement of Additional Information (SAI) contains details of BENCHMARK 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, 2009.

I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES

A. Constitution of the Mutual Fund

Benchmark Mutual Fund (“Mutual Fund”) has been constituted as a Trust on February 14, 2001 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Niche Financial Services Pvt. Ltd., as the Sponsor and Benchmark Trustee Company Pvt. Ltd. as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on June 12, 2001 under Registration Code MF/045/01/6.

B. Sponsor

Benchmark Mutual Fund is sponsored by Niche Financial Services Pvt. Ltd. which was incorporated on 13th October, 1989 vide registration no. 11-53884 under the Companies Act, 1956. Niche Financial Services Pvt. Ltd. is a RBI registered Non Banking Financial Services Company (NBFC) under the Registration No. 13.00311 dated 9th March 1998. The Sponsor has entrusted a sum of Rs. 1,00,000/- to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

Niche Financial Services Pvt. Ltd. provides a host of services, which include Corporate Advisory Services, Corporate Finance, International Advisory Services & Capital Market and Stock Broking.

Following is the Financial Performance (Audited) of Niche Financial Services Pvt. Ltd.:

(All figures in Rs. Million)

	2005-06	2006-07	2007-08
Net Worth	325.13	360.69	272.64
Total Income	53.76	63.25	30.20
Profit after Tax	30.18	35.62	(4.67)

C. The Trustee

Benchmark Trustee Company Pvt. Ltd. (the “Trustee”), through its Board of Directors, shall discharge its obligations as Trustee of the Benchmark 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
Dr. S. A. Dave	72/ M. A. Ph.D	Dr. Dave was the Chairman of Unit Trust of India (UTI) for nearly six years from April 1990 to January 1996. He was the Chairman of Securities & Exchange Board of India (SEBI) for two years from April 1988 to March 1990. He has been Advisor to IDBI from May 1996 to May 1998. He was the Executive Director of IDBI and during his tenure he looked after the Project Finance Department, Rehabilitation Finance

Name	Age/Qualification	Brief Experience
		Department, Development Finance Institutions Department, and Management Services Department amongst other departments. He is also a Director on the Board of various Companies and trustee of charitable institutions.
Dr. P. P. Shah	64/C.A., ICWA., Ph.D. in Cost Accounting	He is a fellow member of the Institute of Chartered Accountants. He also holds Ph. D. in Cost Accounting from Mumbai University and is a member of Institute of Cost of Works Accountants of India. He was awarded a prize for proficiency in Cost Accounting. He is a Managing Partner of M/s. Pravin P. Shah & Co., Chartered Accountants, Mumbai. He has over 39 years of experience (including 6 years in the United States of America) in the areas of financial consultancy, corporate structuring/restructuring, taxation, management consultancy, valuation, property matters and accounting. He has contributed several technical papers at conferences and published books and articles in India and the USA on the abovementioned subjects. He is also a Director on the Board of various Companies.
Dr. A. C. Shah	76/M.A., Ph.D.(Economics)	He is M. A. & Ph. D. (Economics) from University of Mumbai. He has retired in February 1993 as Chairman and Managing Director of Bank of Baroda after a meritorious service of over 30 years during which he held many responsible positions in the Bank. He was advisor to Unit Trust of India (UTI) for setting up a full-fledged commercial bank. UTI Bank, inaugurated in April 1994, was the first Bank in the private sector. He was a guest faculty at: Indian Institute of Management (IIM) - Ahmedabad National Institute of Bank Management - Pune Bankers' Training College of RBI. He is also a Director on the Board of various Companies.
Mr. Shriraj Dhruv	39/L.L.B.	Mr. Dhruv is a partner of Dhru & Co., a firm of Solicitors, Advocates & Notary. He is also a Director on the Board of various Companies.

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 dated February 14, 2001 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.

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 Board 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 inprinciple 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 per the SEBI guidelines;
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. If a majority of the Trustees 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-
 - 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 sponsors.
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 Trustees 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.
29. 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.

The Trustee discharge the supervisory role by having a number of checks and balances besides having continuous feedback from the AMC on matters of importance and a review of the Mutual Fund's operations at the Trustee Meeting.

During the financial year 2008-2009, 6 meetings of the Board of Directors of Trustee Company were held. The reports on Statutory Compliance received from the AMC are placed before the meeting. The Bi-monthly Compliance Test Report filed with SEBI by the AMC is also sent to the Trustee as a part of Quarterly Report and such reports are reviewed by Trustee and taken on record at the Trustee meeting. The Internal Audit Report received from the Internal Auditors to the Fund is also placed before the Board Meeting and discussed. The Trustee will also conduct a detailed review of half-yearly and annual accounts of the Schemes of the Fund and discuss the matters arising there from with the Statutory and Internal Auditors of the Fund, if required.

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

Benchmark Asset Management Company Pvt. Ltd. (AMC) is a private limited company incorporated under the Companies Act, 1956 on October 16, 2000, having its Registered Office at 405, Raheja Chambers, Free Press Journal Marg, 213, Nariman Point, Mumbai 400021. Benchmark Asset Management Company Pvt. Ltd. has been appointed as the AMC of Benchmark Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated February 14, 2001 and executed between Benchmark Trustee Company Pvt. Ltd. and Benchmark Asset Management Company Pvt. Ltd.

The AMC has obtained registration from SEBI vide Registration No. PM/INP000000647 to act as a Portfolio Manager under the SEBI (Portfolio Mangers) Regulations, 1993 with effect from June 1, 2002. The activity of Portfolio Management Services of AMC is not in conflict with the activities of the Fund.

The present shareholding pattern of AMC is as follows :

Particulars	No. of Shares fully paid up (Rs. 10/-)	No. of Shares partly up (Re. 1/-)	% of holding #
Sponsor	74,83,030	4,40,000	48.03
Affiliates of the Sponsor	10,20,030	-	6.18
Employees	5,33,010	40,48,000	27.77
Individual Shareholders	29,73,000	-	18.02
Total...	1,20,09,070	44,88,000	100.00

The above percentage of holding is calculated on the assumption that all partly paid up shares will be eventually fully paid.

Details of AMC Directors:

Name	Age/Qualification	Brief Experience
Mr. D. S. Mehta	73/ C.A., C.S.	He is a Fellow Member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He was the Company Secretary of Bajaj Auto Ltd. from 1968 to 1995

Name	Age/Qualification	Brief Experience
		and since then, he is the whole time director of the Company. He has over 35 years experience in the field of Corporate Law, Taxation and Finance. Mr. Mehta was also the member of the working group to re-draft the Companies Act, 1956. He was the member of Economic affairs Committee of Confederation of Engineering Industry and taxation sub-committee of FICCI. He is also a Director on the Board of various Companies and trustee of charitable institutions.
Mr. S. J. Parekh	77/ B.Com.	He is the Chairman-cum-Managing Director of United Shippers Ltd. He has graduated from Sydenham College of Commerce & Economics, Mumbai in the year, 1952. He has an experience of 55 years in different fields like Shipping, Construction, Manufacturing, Investment, Finance, etc. He is also a Director on the Board of various Companies and trustee of charitable institutions.
Mr. S. R. Halbe	61/ M. Com. (Hons.) Grad., CWA, FCS, L.L.M., Dip. In Systems Management	He is the fellow member of the Institute of Company Secretaries of India and is in practice since many years. He has contributed a fortnightly column in 'Business Standard' on Corporate Law and published various articles in 'Financial Express' and 'Economic Times of India.' He is also a Director on the Board of various Companies.
Mr. T. N. V. Ayyar	49/C.A.	He is a fellow member of the Institute of Chartered Accountants of India and presently practicing as a Financial Consultant. He is also a Director on the Board of various Companies.
Ms. Susan Thomas	42/ Ph.D (Econometrics), B.Tech in Civil Engineering	She is B.Tech in Civil Engineering from Indian Institute of Technology, Mumbai and Ph.D. in Econometrics from University of Southern California, Los Angeles. She is faculty at the Indira Gandhi Institute for Development Research in Mumbai. Her research has been in financial econometrics, specifically on models of the volatility of financial prices, and aspects of market microstructure in Indian financial markets. She has also worked on models for the Indian zero coupon yield curve, govt. bond index construction and probability of default for Indian firms. She has worked on projects for the World Bank, IFC, ADB, NSE, FMC, etc. She is on the Executive Committee for Futures and Options of National Securities Clearing Corporation of India Ltd. and the Expert Committee for the Govt. of India's wheat import hedging program. She is also a Director on the Board of various Companies.

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.

Information on Key Personnel:

Name/Designation	Age/Qualification	Brief Experience
Mr. Rajan Mehta Executive Director	46/MMS	He is an engineer and Master of Management Studies from University of Bombay. He has done one year Post Graduate programme in Investment Management from London Business School. He has over 16 years of experience in the International and Indian Financial markets. In his last assignment for 4 years as Vice President, Merrill Lynch, London, he handled over US \$ 150 million client assets as Wealth Manager. Assets class included Equity, Debt, Derivatives, Currencies, Structured Products and Mutual Funds. Before that, he was Vice President at DSP Merrill Lynch, Mumbai, in charge of indirect marketing through sub-broker network and direct marketing to High Net Worth individuals and Middle Market Institutional Segment. In this role, he handled primary and secondary sales for equity and debt. He also handled marketing of many prominent mutual fund schemes. He is working with AMC since August 2001.
Mr. Sanjiv Shah Executive Director	43/MMS., M.Sc. (Economics)	He is B. Com., Master of Management Studies from Mumbai University and M. Sc. (Economics) in International Accounting and Finance from London School of Economics. He has obtained an FRM certification from Global Association of Risk Professionals. He has over 16 years of experience in the Capital Markets. He has worked with DSP Merrill Lynch Ltd., Mumbai for 14 years. During his tenure in DSP Merrill Lynch, he was Head of Debt Sales & Trading and Head of Equity Sales to FIIs. His last assignment was as Head of Derivatives. He has been involved in various committees and seminars to look into better functioning of the markets. He is working with AMC since April 2001.
Mr. Sanjay Gaitonde Executive Director	39/C.A.,ICWA	He is a Chartered Accountant and Cost Accountant with over 10 years experience. He is an Executive Director of Niche Financial Services Pvt. Ltd. He was instrumental in setting up the financial advisory services, dealings in debt market and capital market activities. He previously worked with the CRISIL Ltd., India's premier rating agency. Since beginning of 2001, he is associated with AMC as its Executive Director.
Mr. Vishal Jain Chief Investment Officer	36/B.Sc., MBA	He is B.Sc. and MBA with over 10 years experience. He was previously with the CRISIL Ltd., India's

Name/Designation	Age/Qualification	Brief Experience
		premier rating agency, where he was part of the Index group, which was involved in the calculation, maintenance and dissemination of CRISIL Equity Indices. He was then deputed to India Index Services & Products Ltd (IISL), a joint venture of CRISIL and NSE, which has a licensing and consulting agreement with Standard & Poor's, the world largest index service provider. He is working with Benchmark Asset Management Company Pvt. Ltd. since October 2000. Presently he is designated as Chief Investment Officer and is responsible for the Fund Management of all the Schemes of Benchmark Mutual Fund.
Mr. Dharmendra Rai National Sales Head and Vice President	38/B.Com., MBA (Marketing)	He is a B.Com. and MBA (Marketing) from Symbiosis Institute of Business Management, Pune. He has over 10 years of experience in financial services. He was Asst. Vice President with J. M. Morgan Stanley Retail Services Pvt. Ltd. before joining the AMC. He has also worked with Alliance Capital Asset Management Company Pvt. Ltd. and Karvy Consultants Ltd. He has been working with AMC since September 2003.
Mr. Gautam Rathor Vice President - Compliance & Compliance Officer	39/C.S., L.L.B.	He is a Company Secretary and a L.L.B more than 10 years of experience. He was previously with National Stock Exchange of India Ltd. (NSE) and designated as Company Secretary of DotEx International Ltd., a wholly owned subsidiary of NSE. He was also in charge of the Secretarial, Finance & Accounts and Operations of India Index Services & Products Ltd. (IISL), which is a joint venture of NSE and CRISIL Ltd. He is working with the AMC since September 2005. At Benchmark, he is responsible for all the statutory compliances.
Mr. Bhalchandra Prabhu Vice President - Operations	39/B.Com., BGL	He is B.Com and BGL (Bachelor of General Laws) with over 14 years experience. He has worked with Custody services of Citibank NA, where he was handling settlement operations for local clients as well as for the Foreign Institutional Investors. Prior to Citibank, he was working with ABN AMRO Bank and was heading operations which consist of Custody, Fund Accounting, Retail depository and RTA (strategic alliance with local registrars). He was appointed as Business Manager for smooth transition of clients, business and operations when ABN AMRO had decided to sell of their custody business to Citibank. Prior to this, he has worked with Deutsche Bank AG where he has gone through various functions of custody like settlement, back office operations, processing of physical shares, bad deliveries and objections within custody department. He has also worked with BSE Clearing House which was managed by BOI Shareholding Ltd. and was handling

Name/Designation	Age/Qualification	Brief Experience
		Institutions department and was responsible for the settlement of shares and money with the custodians. He has been working with AMC since April 2006.

Fund Management team

Name/Designation	Age/Qualification	Brief Experience
Mr. Vishal Jain Chief Investment Officer	36/B.Sc., MBA	He is B.Sc. and MBA with over 10 years experience. He was previously with the CRISIL Ltd., India's premier rating agency, where he was part of the Index group, which was involved in the calculation, maintenance and dissemination of CRISIL Equity Indices. He was then deputed to India Index Services & Products Ltd (IISL), a joint venture of CRISIL and NSE, which had a licensing and consulting agreement with Standard & Poor's, the world largest index service provider. He is working with Benchmark Asset Management Company Pvt. Ltd. since October 2000. Presently he is designated as Chief Investment Officer and is responsible for the fund management of all the Schemes of Benchmark Mutual Fund.
Ms. Payal Kaipunjai Asst. Vice President - Investments	29/MBA., PGDIM	She is a B.Com., M.B.A in Finance and PGDIM. At the AMC, she was handling fund management in Portfolio Management Services Department from June 2004 upto January 2006. From February 2006 she has been working in the mutual fund division and is a part of the fund management team.
Ms. Gauri Sekaria Manager - Investments	26/BBM., M.Sc.	She is a Bachelor in Business Management (Finance) and M.Sc. International Securities, Investment and Banking from ICMA Centre, UK. Since September 2005, she has been involved in investments related to derivatives trading at Benchmark Mutual Fund.

E. Service providers

I. Custodian

Name & Address of the Custodian	SEBI Registration No.	Name of the Scheme
CITIBANK NA Ramnord House 77, Dr. Annie Besant Road Worli, Mumbai - 400018	IN/CUS/004	(i) Nifty Benchmark Exchange Traded Scheme (Nifty BeES), (ii) Junior Benchmark Exchange Traded Scheme (Junior BeES), (iii) Liquid Benchmark Exchange Traded Scheme (Liquid BeES), (iv) Banking Index Benchmark Exchange Traded Scheme (Bank BeES), (v) Gold Benchmark Exchange Traded Scheme (Gold

Name & Address of the Custodian	SEBI Registration No.	Name of the Scheme
		BeES), (vi) PSU Bank Benchmark Exchange Traded Scheme (PSU Bank BeES) and (vii) Shariah Benchmark Exchange Traded Scheme (Shariah BeES)
DEUTSCHE BANK AG. Kodak House, 222, Dr. D. N. Road Fort, Mumbai - 400 001	IN/CUS/003	(i) Benchmark Derivative Fund, (ii) Benchmark Equity & Derivatives Opportunities Fund and (iii) Benchmark S&P CNX 500 Fund
THE BANK OF NOVA SCOTIA 12/13, Maker Chamber VI 220, Nariman Point Mumbai - 400 021	IN/CUS/018	Gold Benchmark Exchange Traded Scheme (Gold BeES)

The Trustee have appointed the Custodians to the Schemes of Benchmark Mutual Fund. All the Custodians are SEBI approved Custodian. The registration of the Custodians is still valid and effective. The Custodians 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 Custodians 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

Benchmark 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

N. M. Raiji & Co.

6th Floor,
Universal Insurance Building
P. M. Road, Fort
Mumbai - 400 001

IV. Fund Accountant

Name & Address of the Fund Accountant	Name of the Scheme
Citibank N.A. Ramnord House 77, Dr. Annie Besant Road Worli, Mumbai 400 018	(i) Nifty Benchmark Exchange Traded Scheme (Nifty BeES), (ii) Junior Benchmark Exchange Traded Scheme (Junior BeES), (iii) Liquid Benchmark Exchange Traded Scheme (Liquid BeES), (iv) Banking Index Benchmark Exchange Traded Scheme (Bank BeES), (v) Gold Benchmark Exchange Traded Scheme (Gold BeES), (vi) PSU Bank Benchmark Exchange Traded Scheme (PSU Bank BeES) and (vii) Shariah Benchmark Exchange Traded Scheme (Shariah BeES).
Deutsche Bank AG. Kodak House 222, Dr. D. N.Road Fort, Mumbai - 400 001	(i) Benchmark Derivative Fund, (ii) Benchmark Equity & Derivatives Opportunities Fund and (iii) Benchmark S&P CNX 500 Fund

V. Collecting Bankers

During the New Fund Offer of the Scheme, the AMC shall appoint Collecting Bankers to accept the applications for investment into the Schemes. The list of the Collecting Bankers will be disclosed in the SID as and when the Schemes are launched. There are no collecting bankers for ongoing Schemes.

F. Condensed Financial Information (CFI)

I. Name of the Scheme: **Nifty BeES**

Historical Per Unit Statistics	For the Year 2006-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the year (Rs.)	344.2228	385.2983	478.5616
Dividends (Rs.)	8.00	-	5.00
NAV at the end of the year (Rs.)	385.2983	478.5616	305.4702
Annualised Return (%)	14.37	24.06	(35.34)
Net assets at the end of period (Rs. Crores)	159.80	474.61	131.89
Ratio of Recurring Expenses to Net Assets (%)	0.35	0.50	0.50

II. Name of the Scheme: **Junior BeES**

Historical Per Unit Statistics	For the Year 2006-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the year	65.0084	70.1465	80.9738
Dividends	-	-	-
NAV at the end of year/period	70.1465	80.9738	44.3369
Annualised Returns (%)	7.93	15.34	(45.25)
Net assets at the end of period (Rs. Crores)	3.39	17.65	6.04
Ratio of Recurring Expenses to Net Assets (%)	1.00	1.00	1.00

III. Name of the Scheme: **Liquid BeES**

Historical Per Unit Statistics	For the Year 2006-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the year	1000.00	1000.00	1000.00
Dividends (Gross)	68.87	70.69	75.58
NAV at the end of year	1000.00	1000.00	1000.00
Annualised Returns (%)	6.91	7.09	7.58
Net assets at the end of period (Rs. Crores)	165.48	298.40	287.25
Ratio of Recurring Expenses to Net Assets (%)	0.60	0.58	0.60

IV. Name of the Scheme: **Bank BeES**

Historical Per Unit Statistics	For the Year 2006-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the period	467.6701	532.4979	665.3900
Dividends (Gross)	7.00	5.00	5.00
NAV at the end of year	532.4979	665.3900	415.2850
Annualised Returns (%)	15.45	25.86	(36.90)
Net assets at the end of period (Rs. Crores)	3,300.29	1,583.46	170.99
Ratio of Recurring Expenses to Net Assets (%)	0.45	0.48	0.50

V. Name of the Scheme: **Benchmark Derivative Fund**

Historical Per Unit Statistics	For the Year 2006-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the period (Rs.)	Growth Option : 1074.5522 Dividend Option : 1012.2123	Growth Option : 1165.7620 Dividend Option : 1050.8295	Growth Option : 1263.2641 Dividend Option : 1095.6422
Dividends (Rs)	Dividend Option : Rs. 45/-	Dividend Option : Rs. 40/-	Dividend Option : Rs. 105/-
NAV at the end of period (Rs.)	Growth Option : 1165.7620 Dividend Option : 1050.8295	Growth Option : 1263.2641 Dividend Option : 1095.6422	Growth Option : 1343.5731 Dividend Option : 1056.6102
Annualised Returns (%)*	Growth Option : 8.45 Dividend Option : 8.46	Growth Option : 8.38 Dividend Option : 8.38	Growth Option : 6.36 Dividend Option : 1.29
Net assets at the end of period (Rs. Crores)	121.21	38.48	16.26
Ratio of Recurring Expenses to Net Assets (%)	1.50	1.49	1.50

*The returns of Dividend Option have been calculated after adjusting for Dividend wherever applicable.

VI. Name of the Scheme: **Gold BeES**

Historical Per Unit Statistics	For the period 8-03-2007 to 31-03-2007 (Audited)	For the Year 2007-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the period	945.7631	948.3204	1212.4846
Dividends (Gross)	-	-	-
NAV at the end of year	948.3204	1212.4846	1499.5883
Returns (%)	0.27	27.68	23.68
Net assets at the end of period (Rs. Crores)	96.26	155.33	295.33
Ratio of Recurring Expenses to Net Assets (%)	1.00	1.00	1.00

Returns less than one year are in absolute terms and more than one year are compounded annualized.

VII. Name of the Scheme: **PSU Bank BeES**

Historical Per Unit Statistics	For the period 25-10-2007 to 31-03-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the period	263.9062	224.4491
Dividends (Gross)	-	-
NAV at the end of period	224.4491	159.3359
Returns (%)	(14.95)	(29.01)
Net assets at the end of period (Rs. Crores)	206.2136	14.14
Ratio of Recurring Expenses to Net Assets (%)	0.75	0.75

Returns less than one year are in absolute terms and more than one year are compounded annualized.

VIII. Name of the Scheme: **Benchmark Equity & Derivatives Opportunities Fund**

Historical Per Unit Statistics	For the period 31-10-2007 to 31-03-2008 (Audited)	For the Year 2008-2009 (Unaudited)
NAV at the beginning of the period	Growth Option : 10 Dividend Option: 10	Growth Option :10.4205 Dividend Option :10.4205
Dividends (Gross)	-	Rs. 0.45
NAV at the end of period	Growth Option :10.4205 Dividend Option :10.4205	Growth Option :11.1045 Dividend Option :10.6404
Returns (%)*	Growth Option : 4.21 Dividend Option : 4.21	Growth Option : 6.56 Dividend Option : 6.50
Net assets at the end of period (Rs. Crores)	128.00	64.98
Ratio of Recurring Expenses to Net Assets (%)	1.27	1.45

*Returns less than one year are in absolute terms and more than one year are compounded annualized. The returns of Dividend Option have been calculated after adjusting for Dividend, wherever applicable.

IX. Name of the Scheme: **Benchmark S&P CNX 500 Fund**

Historical Per Unit Statistics	For the period 6-1-2009 to 31-03-2009 (Unaudited)
NAV at the beginning of the period	Growth Option : 10 Dividend Option: 10
Dividends (Gross)	-
NAV at the end of period	Growth Option :10.1719 Dividend Option :10.1709
Returns (%)	Growth Option : 1.72 Dividend Option : 1.71
Net assets at the end of period (Rs. Crores)	3.50
Ratio of Recurring Expenses to Net Assets (%)	1.50

Returns are absolute as the Scheme has not completed one year.

X. Name of the Scheme: **Shariah BeES**

Historical Per Unit Statistics	For the period 18-03-2009 to 31-03-2009 (Audited)
NAV at the beginning of the period	65.9279
Dividends (Gross)	-
NAV at the end of period	72.1609
Returns (%)	7.84
Net assets at the end of period (Rs. Crores)	1.25
Ratio of Recurring Expenses to Net Assets (%)	0.00

Returns are absolute as the Scheme has not completed one year.

II. HOW TO APPLY?

Application Forms will be available at the Investor Service Centres, collecting Bank branches, Distributors, at the corporate office of the AMC and the office of the Registrar. Applications complete in all respects may be submitted at the designated collection centres and at locations mentioned in the Application Form.

Please note that applications by NRIs/FIIs on repatriation basis will be accepted at the branches of the collecting bankers as specified in the relevant Application Form.

Kindly retain the acknowledgment slip initialed/stamped by the collecting agency.

Incomplete applications and applications not accompanied by cheque/demand drafts are liable to be rejected.

Mode of payment

Domestic Unit holders

Investors having a bank account with such banks with whom the AMC would 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.

Note: 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.

Important

All cheques and bank drafts accompanying the application form should contain the application form number on its reverse. 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. If the data is not provided, neither the Fund (or the Trustees) nor the AMC will be liable for any delay/non receipt of refund, redemption/dividend payments.

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.

Note: 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.

Application under Power of Attorney/Companies/Body Corporates/Society/Trust

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, 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

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.
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.

Voting Right of the Unit Holders

Subject to the provisions of Regulations as amended from time to time, the consent of the Unit Holders shall be obtained, if necessary through postal ballot/mail or any other mode, in consultation with SEBI, if required. Each Unit holder shall be entitled to one vote for each unit held by him in respect of each resolution to be passed. Detailed modalities of the same, including the principles for entitlement of votes for each unit holder will be finalized in consultation with and after obtaining the approval of Trustee and of SEBI, if required.

All issues to be voted upon will be intimated to Unit holders by mail/courier. The Trustees would fix a record date to determine the Unit holders who would be eligible to vote. Unit holders are entitled to one vote per Unit held on all matters to be voted upon by Unit holders. Issues to be put to vote will be sent out to Unit holders of record along with an explanation from the Trustee as to why the vote is being requested. A ballot paper will also be sent to Unit holders. In case of joint holders, the ballot paper shall be sent to the first named holder. Unit holders will be requested to respond by mailing back their ballot paper by a specified cut-off date. Duly completed and signed ballots received on or before the close of working hours on the cut-off date would be considered a valid ballot. Valid ballots will be counted and if more than 50% of the valid ballots received vote for the proposal then the proposal will stand carried and will be made binding on all Unit holders in the Scheme. Unit holders who oppose the proposal will be allowed to redeem

their holdings in the Scheme in the manner specified by SEBI Regulations. As each ballot may contain more than one proposal, Unit holders who cast a negative vote on any one of the proposals will be allowed to redeem their holdings in the Scheme as aforesaid. Unit holders will be informed of the results of the voting either by mail or through an advertisement or by such other means as may be decided by the Trustee. All proposals that have been accepted by Unit holders will come into effect on the next Business Day following the date on which the valid ballots were counted or any other date as specified in advance to Unit holders. In all matters to be voted upon the Unit holders will be requested to return their ballots to the offices of the Scheme's Registrar & Transfer (R&T) Agent and the R&T Agent will conduct the counting of the ballots in the presence of an independent third party. Unit holders can inspect the votes cast, if so required by them, at the office of the R&T Agent in Mumbai. The votes will be preserved for a period of one month after the cut-off date. The Scheme shall follow any other voting policy specified by SEBI for seeking Unit holders consent.

IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations or such norms as may be prescribed by SEBI from time to time. The broad valuation norms 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. 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.

For example, if the volume of trade is 100,000 and value is Rs. 400,000 the share does not qualify as thinly traded. Also if the volume traded is 40,000 but the value of trades is Rs. 600,000 the share does not qualify as thinly traded.

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.

(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) 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.

(III) (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 (III)(b) hereof.

(III) (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.

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.

METHODOLOGY

A. Construction of Risk Free Benchmark

Using Government of India dated securities, the benchmark shall be constructed as below:

GOI dated securities will be grouped into various duration buckets such as 0.5-1 years, 1-2 years, 2-3 years, 3-4 years, 4-5 years, 5-6 years and 6 years and the volume weighted yield would be computed for each bucket. These duration buckets may be changed to reflect the market value more closely by any agency suggested by AMFI giving benchmark yield/matrix of spreads over benchmark yields.

The benchmark as calculated above will be set at least weekly, and in the event of any significant movement in prices of Government Securities on account of any event impacting interest rates on any day such as a change in the Reserve Bank of India (RBI) policies, the benchmark will be reset to reflect any change in the market conditions.

Note: The concept of duration over tenor has been chosen in order to capture the reinvestment risk. It is intended to gradually move towards a methodology that incorporates the continuous curve approach for valuation of such securities. However, in view of the current lack of liquidity in the corporate bond

markets, a continuous curve approach to valuation would be necessarily based on limited data points, and this would result in out of line valuations. As an interim methodology therefore it is proposed that the Duration Bucket approach be adopted and continuously tracked in order to fine tune the duration buckets on a periodic basis. Over the next few years it is expected that with the deepening of the secondary market trading, it would be possible to make a gradual move from the Duration Bucket approach towards a continuous curve approach.

B. Building a Matrix of Spreads for Marking-up the Benchmark Yield

Mark up for credit risk over the risk free benchmark YTM as calculated in step A, will be determined using the trades of corporate debentures/bonds of different ratings. All trades on appropriate stock exchange during the fortnight prior to the benchmark date will be used in building the corporate YTM and spread matrices. Initially these matrices will be built only for corporate securities of investment grade. The matrices are dynamic and the spreads will be computed every week. The matrix will be built for all duration buckets for which the benchmark GOI matrix is built to effectively link the corporate matrix with the GOI securities matrix. Accordingly:

- All traded paper (with minimum traded value of Rs. 1 crore) will be classified by their ratings and grouped into 7 duration buckets; for rated securities, the most conservative publicly available rating will be used;
- For each rating category, average volume weighted yield will be obtained both from trades on the appropriate stock exchange and from the primary market issuances
- Where there are no secondary trades on the appropriate stock exchange in a particular rating category and no primary market issuances during the fortnight under consideration, then trades on appropriate stock exchange during the 30 day period prior to the benchmark date will be considered for computing the average YTM for such rating category;
- If the matrix cannot be populated using any or all of the above steps, then credit spreads from trades on appropriate stock exchange of the relevant rating category over the AAA trades will be used to populate the matrix;
- In each rating category, all outliers will be removed for smoothening the YTM matrix;
- Spreads will be obtained by deducting the YTM in each duration category from the respective YTM of the GOI securities;
- In the event of lack of trades in the secondary market and the primary market the gaps in the matrix would be filled by extrapolation. If the spreads cannot be extrapolated for the reason of practicality, the gaps in the matrix will be filled by carrying the spreads from the last matrix.

C. Mark-up/Mark-down Yield

The Yields calculated would be marked-up/marked down to account for the ill-liquidity risk, promoter background, finance company risk and the issuer class risk. As the level of ill-liquidity risk would be higher for non-rated securities the marking process for rated and non-rated securities would be differentiated as follows :

- (i) **Adjustments for Securities rated by external rating agencies**
The Yields so derived out of the above methodology could be adjusted to account for risk mentioned above.
- (ii) **Adjustments for Internally Rated Securities**
To value an un-rated security, the fund manager has to assign an internal credit rating, which will be used for valuation.

The discount adjustments provided for securities rated by external rating agencies and internally rated securities is as follows:

Category	Discretionary discount over benchmark basis points
Rated instruments with duration upto 2 years	Discretionary discount within +100 to -50
Rated instruments with duration over 2 years	Discretionary discount within +75 to -25
Un-rated instruments with duration upto 2 years	Discretionary discount upto +50 over and above mandatory discount of +50
Un-rated instruments with duration over 2 years	Discretionary discount upto +50 over and above mandatory discount of +25

- (iii) The benchmark yield/matrix of spreads over benchmark yield obtained from any agency suggested by AMFI as a provider of benchmark yields/matrix of spreads over benchmark yields to mutual funds, will be applied for valuation of securities on the day on which benchmark yield/matrix of spreads over benchmark yield is released by the aforesaid agency.

Valuation of securities with Put/Call Options

The option embedded securities would be valued as follows:

- (i) Securities with Call option :
- 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.
 - 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 :
- 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
 - 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.

(III) (c) Government Securities

Government securities will be valued at prices released by CRISIL, an agency suggested by AMFI. (As per SEBI Circular MFD/CIR No.14/442/2002 dated February 20, 2002).

Illiquid Securities :

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.

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.

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. 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.

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 form 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 form 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 form 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 form 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%.

Gold

(1) The gold held by a the 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 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 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 Fund:

Provided further that where the gold held by a 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 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).

Domestic price of gold = (London Bullion Market Association AM fixing in US\$/ounce X Conversion factor for converting ounce into kg for 0.995 fineness X rate for US\$ into INR) + Custom duty for import of gold + Sales Tax/octroi and other levies applicable.

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 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 NAV's 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.

The units issued by overseas mutual funds shall be valued at the latest available Net Asset Value (NAV) per unit of the mutual funds schemes at the close of the relevant valuation day.

In case of investments 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 of a specific debt security is not covered by SEBI Regulations, then the security will be valued on a 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 at the close of banking hours in India. The Trustees reserve the right to change the source for determining the exchange rate. The AMC shall record in writing the reason for change in 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.

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

V. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on investing in Mutual Funds

The information set forth below is based on the Mutual Fund's understanding of the Tax Laws as of this date of Document. The following tax benefits are available to investors and the Mutual Fund under present taxation laws. The following information is provided for only general information purposes. In view of the individual nature of tax benefits, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Scheme.

The following information is based on the law in force in India at the date hereof. The subscriber(s) and the investors(s) should seek advice from his/her/its own professional advisor if he/she/it is in any doubt regarding the taxation consequences of investing in the Fund.

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 (collectively called 'the relevant provisions').

TAXABILITY OF THE FUND

1. Income Tax Act, 1961

As a fund set-up under a scheme of a SEBI registered mutual fund, the taxability of the Fund will be governed by the provisions of Section 10(23D) and Chapter XII-E of the Act.

Under Section 10(23D) of the Act, any income of a fund set up under a scheme of a SEBI registered mutual fund is exempt from tax.

Equity-oriented fund¹

Under Chapter XII-E of the Act, any income distributed by an '*equity oriented fund*', set-up under a scheme of a SEBI registered mutual fund to its unit holders shall not be subject to any distribution tax.

The cumulative effect of Section 10(23D) and Chapter XII-E is that an equity oriented fund will be exempt from tax on its income earned and will not be liable to pay any distribution tax on income distributed to its Unit Holders.

Non-equity oriented fund

Under Chapter XII-E of the Act, any income distributed by a money market mutual fund or a liquid fund to its unit holders shall be exempt from tax and a liquid fund or a money market fund will be liable to pay distribution tax on the income distributed to its unit holders at the rate of 25% (plus applicable surcharge of 10% and education cess of 3%).

Under Chapter XII-E of the Act, any income distributed by a mutual fund, other than a money market mutual fund or a liquid fund to its unit holders shall be exempt from tax and the mutual fund will be liable to pay distribution tax on the income distributed to its unit holders at the rate of :

¹ "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

- (i) 12.5% (plus applicable surcharge of 10% and education cess of 3%) on income distributed by the mutual fund to its unit holders who are individuals or HUFs; and
- (ii) 20% (plus applicable surcharge of 10% and education cess of 3%) on income distributed by the mutual fund to all other categories of unit holders.

The cumulative effect of section 10(23D) and Chapter XII-E in the case of a non-equity oriented fund is that the Fund will be exempt from tax on its income earned, but will be liable to pay distribution tax on income distributed to its Unit Holders in the manner described above.

2. **Securities Transaction Tax ('STT')**

As and when the Fund purchases and sells equity shares/units, 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 Fund.	0.25 %	Seller

An 'equity oriented fund' would be liable to collect STT at the rate of 0.25% from every Unit Holder who redeems his/her Units in 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 Tax Act, 1961**

a. Income from Units

As per section 10(35) of the Act, any distribution of income made by a fund, set up under a scheme of SEBI registered mutual fund, to its unit holders is exempt from tax in the hands of the unit holders.

Hence, income distributions by any fund to its Unit Holders will be exempt from tax in the hands of the Unit Holders.

b. Taxability on transfer

Unit Holders may realize a gain or a loss on transfer of Units of a fund. Redemptions of Units would be regarded as a transfer.

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 units of the other Scheme / Option selected by the Unit Holder. Hence, switching will attract the same implications as applicable on transfer of such Units.

Under the Act, the gain or loss realized on transfer of Units of a fund may be characterized, based on facts and circumstances applicable to each investor, as either being in the nature of capital gains or as business profits.

Capital gains:

Capital gains are liable to tax based on:

- (i) the duration for which the Units of a fund are held prior to transfer; and
- (ii) the manner in which the transfer / switch is effected

Gains realised on transfer of Units held for a period in excess of 12 months are classified as long term capital gains; in any other case, the gains are classified as short term capital gains. The period of holding for additional Units issued under the 'Reinvest Dividend Option' available in various schemes would commence from the date of allotment of additional Units under such option.

a. Long term capital gains

Equity-oriented fund

As per section 10(38) of the Act, long-term capital gains arising on redemption of units of an 'equity oriented fund', on which STT has been paid, are exempt from income tax.

Non-equity oriented fund

As per Sections 48 and 112 of the Act, long term capital gains realised on transfer of Units are taxable at the rate of 20% (plus applicable surcharge and education cess) after claiming indexation benefit.

Alternatively, the Unit Holder may offer the long term capital gains realised on transfer of Units to tax at the rate of 10% (plus applicable surcharge and education cess), without claiming any indexation benefit.

In case of an individual or a HUF, being a resident, where the total income as reduced by such long term capital gains is below the maximum amount, which is not chargeable to income tax, then, such long term capital gain 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 long term capital gains shall be computed at the rate of 20% (plus applicable surcharge and education cess) after claiming indexation benefit.

As per Section 115AD of the Act, long term capital gains realised by FIIs/sub-accounts on transfer of Units are taxable at the rate of 10% (plus applicable surcharge and education cess), and the FIIs / sub-accounts will not be permitted to claim indexation benefit.

b. Short term capital gains

Equity-oriented fund

As per section 111A of the Act, short term capital gains realized on redemption of units of 'equity oriented funds', on which STT has been paid, are taxable at the rate of 15% (plus applicable surcharge and education cess).

In case of an individual or a HUF, being a resident, where the total income as reduced by such short term capital gains is below the maximum amount, which is not chargeable to income tax, then, such short term capital gain 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 rate of 15% (plus applicable surcharge and education cess).

Non-equity oriented fund

Short term capital gains realised on transfer of Units are taxable at the rates applicable to the Unit Holders as per the provisions contained in the relevant Finance Act. Surcharge and education cess would apply separately.

As per Section 115AD of the Act, short-term capital gains realised by FIIs/sub-accounts on transfer of Units are taxable at the rate of 30% (plus applicable surcharge and education cess).

Business profits:

In case the activity of purchase and sale of units by the investor is categorized as business activity, the resultant business profits are liable to tax at the normal rates applicable to the investors. Surcharge and education cess would apply separately. In case of business profits, the investor is not entitled to claim the tax exemption in case of an 'equity oriented fund' under section 10(38) of the Act, as discussed above.

Tax treaty benefits

Section 90 of the Act provides that taxation of non-resident investors would be governed by the provisions of the Act, or those of a Double Taxation Avoidance Agreement ('DTAA') that the Government of India has entered into with the Government of any other country of which the non-resident investors are tax resident. The provisions of the DTAA prevail over those of the Act if they are more beneficial to the taxpayer. Hence, the above rates are subject to applicable DTAA benefits, if applicable.

c. Special provisions

As per Section 94(7) of the Act, where a person acquires any units within a period of 3 months prior to the record date and redeems such units within 9 months after the record date and the income distributed on such units, within this period, is exempt from income tax, then the loss suffered by such person on transfer of the units, to the extent of the income distributed on the units, shall be ignored while computing income chargeable to tax.

Section 94(8) of the Act provides that where any person who acquires any units within a period of 3 months prior to the record date is allotted additional units without consideration (i.e. bonus units) based on the original holding, any subsequent loss on sale of the original units within a period of 9 months from the record date shall be ignored for computing income chargeable to tax. The loss so ignored will be deemed to be the cost of acquisition of bonus units (held at such time) when these bonus units are subsequently sold.

d. Tax deducted at source ('TDS')

On income from Units:

No tax is to be deducted from any income credited or paid to Unit Holders in respect of Units of a fund.

On transfer:

Resident Investors:

No tax is required to be deducted at source from capital gains / business profits arising at the time of transfer of the Units.

Non-Resident Investors:

Tax is required to be deducted at source under Section 195 of the Act on payments made to non-resident investors.

a. Equity oriented fund

Since long-term capital gains realized from transfer of Units in an 'equity oriented fund' on which STT has been paid is exempt from tax, no tax is to be deducted at source under Section 195 of the Act.

In case of short-term capital gains realized from transfer of Units in an 'equity oriented fund', tax is required to be deducted at source at the rate of 15% (plus applicable surcharge and education cess).

b. Non-equity oriented fund

In case of long term capital gains realised from transfer of Units in a non-equity oriented Fund, tax is required to be deducted at source at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefit.

In case of short term capital gains realised from transfer of Units in a non-equity oriented fund, tax is required to be deducted at source at the normal rates applicable to the Unit Holders. Surcharge and education cess would apply separately.

The Fund will deduct the above tax at the time of winding up of the scheme/repurchase of units. In case of sale of units by Non-resident investors through recognised stock exchange, tax deduction will be done by the bank of the Non-resident investor.

No tax is deductible at source from capital gains realised by FIIs / sub-accounts on transfer of their Units in a fund in accordance with the provisions of Section 196D(2) of the Act.

The Central Board of Direct Taxes in its circular no 728, dated October 30, 1995, has clarified that in case of payments to a non-resident who is tax resident of a country with which a 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 taxpayer. In order for the Unit Holder to obtain the benefit of a lower rate or nil rate, available under a DTAA, the Unit Holder will be required to provide the Fund with a certificate obtained from its Assessing Officer confirming the Unit Holder's eligibility for the lower rate or nil rate.

e. Exemption from capital gains arising from transfer of units of mutual funds under section 54EC

The long-term capital gains arising from transfer of units of a mutual fund (hereinafter referred to as original asset), shall be exempt from tax under section 54EC of the Act provided such gains are invested within six months from the date of transfer, in the bonds (hereinafter referred to as long-term specified asset) issued by any of the following:

- i. National Highways Authority of India, which have been issued on or after 1 April, 2006
- ii. Rural Electrification Corporation Limited issued on or after 1 April, 2006

The amount of exemption would depend upon the extent of utilisation of the long-term capital gain on the original asset. However, where the long-term specified asset is transferred (including pledge of the long-term specified asset) or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of original asset not charged to tax shall be deemed to be income chargeable under the head "capital gains" relating to long-term capital asset of the previous year in which the long-term specified asset is transferred or converted (otherwise than by transfer) into money.

Where the cost of the specified units has been taken into account for section 54EC, deduction from the income with reference to such cost shall not be allowed under section 80C of the Act. However, investment limit in the specified assets mentioned above is upto Rs. 50,00,000/- in a financial year.

g. Surcharge and education cess

Nature of person	Surcharge
Individuals, HUFs, body of individuals and association of persons	10% surcharge on tax payable if the total taxable income exceeds Rs. 10,00,000
Artificial juridical persons	10% surcharge on tax payable
Firms and resident corporate taxpayers	**10% surcharge on tax payable
Non-resident corporate tax payers	**2.5% surcharge on tax payable
Co-operative societies and local authorities	No surcharge is applicable

** The surcharge will be applicable to only those firms and corporate taxpayers having a total taxable income exceeding Rs. 1,00,00,000.

An education cess of 3% is levied on all taxpayers - the education cess is to be paid on the tax payable, plus surcharge. Accordingly, the rates of tax and TDS rates mentioned above will be increased by the applicable surcharge and education cess.

f. 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.

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

The Gift Tax Act, 1958 is now abolished.

However, as per the provisions of section 2(24) of the Act, income of an individual or HUF will include any sum referred to in section 56(2)(vi) of the Act viz any sum of money the aggregate value of which exceeds Rs 50,000 received from any person or persons without corresponding consideration. There are some exceptions to this provision:

- (i) amount received from any relative;
- (ii) amount received on the occasion of the marriage of the individual;
- (iii) amount received under a will or by way of inheritance;
- (iv) amount received in contemplation of death of the payer;
- (v) amount received from any local authority as defined in the Explanation to clause (20) of section 10 of the Act;
- (vi) amount received from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act;
- (vii) from any trust or institution registered under section 12AA of the Act.

Please note:

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

B. Legal Information

Nomination

Pursuant to SEBI Regulations, AMFI Circulars, etc. the AMC shall provide an option to the investor for nomination as follows:

- a) The unit holder may nominate maximum of three persons with whom the units held by him/her shall vest in the event of his/her death.
- b) In case where more than one person holds the units jointly, the joint unit holders may together nominate a person in whom all the rights in the units shall vest in the event of death of all the joint unit holders.

Further the following regulations have to be complied with by the unit holder/joint unit holders who wish to nominate a person in whom the units held by unit holder/joint unit holders shall vest in the event of unit holder/joint unit holders death:

1. The nomination can be made only by individuals applying for/holding units on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the units are held jointly, all joint holders will sign the nomination form.
2. 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.
3. 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.
4. Nomination in respect of the units stands rescinded upon the transfer of units.
5. Transfer of units in favour of a Nominee shall be valid discharge by the AMC against the legal heir.
6. The 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.
7. On cancellation of the nomination, the nomination shall stand rescinded and the AMC shall not be under any obligation to transfer the units in favour of the Nominee.

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, suffer or any claim, demand, liabilities, proceedings or 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.

In case of more than one nominee, the Unit holders should indicate the percentage of allocation/share in favour of each of the nominees against their name and such allocation/share should be in whole numbers without any decimals making a total of 100 percent. In the event of the Unit holders not indicating the percentage of allocation/share for each of the nominees, the AMC, by invoking default option shall settle the claim equally amongst all the nominees.

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 case 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 holders, 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 banks, financial institutions, non-banking financial companies (NBFCs) or any other body 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. To facilitate uniform implementation of these guidelines, AMFI had circulated Client Identification implementation procedure to all the Mutual Funds. CDSL Ventures Ltd. ("CVL") has been appointed as 'Central Agency' by the Mutual Fund Industry to collect the documents relating to identity and address from the investors.

Investors should note that any investment (whether new or additional purchase) of Rs. 50,000/- or more in mutual funds, is required to comply with Know Your Customer (KYC) norms under the Prevention of Money Laundering Act 2002. This will be applicable for investments from individual investors including joint holding/institutional customers/other non-institutional investors/investments through Power of Attorney (PoA)/investments of minor through guardian. The KYC requirements can be completed by filling up the prescribed form (KYC Form) and submitting the same along with all other prescribed documents (like attested true copies of supporting documents relating to proof of identity and address or verification with the original) to a designated Point of Service (PoS). On submission of KYC Form, documents and information to the satisfaction of the PoS, the investor will be issued a provisional KYC Acknowledgement Letter across the counter. The KYC Form is available at our website (www.benchmarkfunds.com) and at the AMFI website (www.amfiindia.com). PoS are the designated centres appointed by the Central Agency for receiving application forms and processing data. PoS will provide to the investors with evidence of KYC Compliance. List of and location of PoS is available at

www.amfiindia.com. Subsequently, the Central Agency will verify the information and documents submitted by the investor. The verification process will be completed within 10 to 15 days from the date of allotment of provisional KYC Acknowledgment. In case of any deficiency/insufficiency in the documentation or information provided by the investor, the Central Agency may cancel the KYC Acknowledgement. On cancellation of KYC Acknowledgement intimation will be dispatched by the Central Agency to the investor immediately. However, no communication will be sent to the investor if the KYC Acknowledgement as allotted is confirmed. Any subsequent change in the information previously provided by the investor, the same need to be communicated to CVL. KYC Compliant investors need to ensure that any change of address details is registered with CVL before redeeming units. Registrar will not act upon address change requests directly received from KYC Compliant investors. The existing investor data for investor address (both Indian and foreign), address, pin code, country, nationality, occupation, income details, date of birth, document provided as proof of identity will be over-written by the Registrar with data obtained from CVL. A folio in which any one or more of the holders are found to be non KYC compliant, in such folios further subscriptions/systematic purchases of value equal to or greater than Rs. 50,000 will not be permitted. This one-time process of KYC is valid for transactions across all mutual funds.

Investors should note that it is mandatory for all applications for subscription of value of Rs. 50,000/- and above to quote the KYC Compliance status of each applicant (guardian in case of minor) in the application for subscription and attach proof of KYC Compliance viz. KYC Acknowledgement Letter (or the previously Mutual Fund Identification Number (MIN) Allotment Letter*)/Printout of KYC Compliance Status downloaded from CVL website (www.cvlindia.com) using the PAN Number. Applicants intending to apply for units through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their KYC Compliance Status and attach proof of KYC Compliance at the time of investment above the threshold. PoA holders are not permitted to apply for KYC compliance on behalf of the issuer of the PoA. Applications Forms/Transaction Slips not accompanied by KYC Acknowledgement are liable to be rejected. KYC Compliance status will be updated for all folios in which investor is a holder in any capacity.

*Valid only where investors who have already obtained the erstwhile Mutual Fund Identification Number (MIN) by submitting the PAN copy as the proof of identity.

The KYC Compliance Status will be validated with the records of the Central Agency before allotting units. Applications for subscriptions of value of Rs. 50,000/- and above without a valid KYC Compliance can be rejected by the AMC/Registrar. However, where it is not possible to verify the KYC Compliance status within a reasonable time at the time of allotment of units, the Trustee/AMC shall verify the KYC Compliance Status within reasonable time after the allotment of units. In the event of non-compliance with KYC requirements or in the event of cancellation of KYC Acknowledgement by the Central Agency, the AMC/Registrar may freeze the folio or cancel the investment transaction, affect mandatory redemption and the amount may be redeemed at applicable NAV, subject to payment of applicable exit load, wherever applicable. The decision of AMC/Registrar in this regard will be considered final.

The AMC reserves the right to scrutinize/verify the application/applicant and the source of the applicant's funds and also reserves the right on the grounds of non compliance with the anti money laundering norms/ know your customer norms by the applicant, to force redemption at the applicable NAV prevalent at the time of such redemption, by redeeming the proceeds in favour of the applicant and/or undertaking such other action with the funds, that may be prescribed under applicable law including redeeming the proceeds in favour of the source account from which the funds had been invested in the mutual fund. In line with the applicable regulations, the AMC may implement such anti money laundering measures and Know Your Customers norms, as it may deem appropriate. The investors would be required to adhere to these norms.

Applicants/Unit holders may contact our Investor Service Centers/their distributors, if any for any additional information/clarifications. Also, please visit our website www.benchmarkfunds.com for any other related information.

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

If Units are held in a single name by the Unit Holder, Units shall be transmitted in favour of the nominee where the Unit Holder has appointed a nominee upon production of death certificate or any other documents to the satisfaction of the AMC/Registrar. If the Unit Holder has not appointed a nominee or in the case where the nominee dies before the Unit Holder, the Units shall be transmitted in favour of or as otherwise directed by the Unit Holder's personal representative(s) on production of the death certificate and/or any other documents to the satisfaction of the AMC/Registrar. If Units are held by more than one registered Unit Holder, then, upon death of one of the Unit Holders, the Units shall be transmitted in favour of the remaining Holder(s) (in the order in which the names appear in the register of Unit Holders with the Registrar) on production of a death certificate and/or any other documents to the satisfaction of the AMC/Registrar and to the nominee only upon death of all the Unit Holders.

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

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 Executive Director and Chief Investment Officer wherever applicable. All investment decisions of the Scheme will be recorded in accordance with SEBI Regulations.

Review 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.

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

Applicants have to specify the 'mode of holding' in the application form. The mode of holding may be "Single", "Jointly" or "Anyone or Survivor". "Single" will entitle only the first holder to operate the account to the exclusion of the joint holders. "Jointly" will allow operation of the folio only if all the holders sign the instruction. "Anyone or Survivor" will entitle anyone of the joint holders to operate the folio.

If an account has more than one holder, only the first named holder (as determined by the records of the Registrar) will receive 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 will have the voting rights, as permitted/associated with such units as per the applicable guidelines.

In case of holdings specified as 'Jointly', all requests have to be signed by all the joint holders. However, in the case of holdings specified as 'Anyone or Survivor', anyone of the joint holders may sign such request.

All payments and settlements made to the first unit holder would constitute valid discharge by the Fund.

If two or more applicants apply for units of the Scheme without specifying the mode of holding, they shall be deemed to have elected to hold units "Jointly". Any change in mode of holding will have to be signed by all the holders. By following the above procedure, the Fund/AMC shall be discharged of all the liability towards the joint/remaining unit holders.

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 select financial intermediaries for distribution and may pay brokerage 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

For the purpose of this Scheme, an associate or group company shall include Sponsors, Niche Financial Services Pvt. Ltd., its subsidiaries, including AMC (Benchmark Asset Management Company Pvt. Ltd) & joint ventures.

At present the Fund does not have any transactions with the Sponsor or its associates. However the AMC may utilize the services of Sponsor, Group Companies and any other subsidiary or associate company of the Sponsor established or to be established at a later date for marketing, book-building, distribution or any other activity connected with the Schemes of Benchmark Mutual Fund, as may be allowed by SEBI or any other competent authority and within the relevant provisions of Regulations and limits prevailing from time to time. The AMC will conduct its business with the Sponsor or its Associate on commercial basis and on arms length basis and at mutually agreed terms and conditions to the extent permitted under the Regulations.

Associate transactions, if carried out, would be as per the Regulations and the limits prescribed there under.

As provided in 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 Benchmark Mutual Fund at 405, Raheja Chambers, Free Press Journal Marg, 213, Nariman Point, Mumbai 400 021 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. Bibek Sengupta as Investor Relation Officer. He can be contacted at:

Benchmark Asset Management Company Pvt. Ltd.

405, Raheja Chambers
Free Press Journal Marg
213, Nariman Point
Mumbai - 400 021
Tel (91 22) 6651 2727
Fax: (91 22) 2200 3412
Email: bibek@benchmarkfunds.com

The status of investor complaints for last three fiscal years is as follows:

1. Financial Year - 2008-2009

Scheme Name	No. of Cases Received	No. of Cases Redressed	No. of Cases Pending
Nifty BeES	-	-	-
Junior BeES	-	-	-
Liquid BeES	-	-	-
Bank BeES	-	-	-
Benchmark Derivative Fund	-	-	-
Benchmark Split Capital Fund - Balanced	1	1	-
Gold BeES	2	2	-
PSU Bank BeES	-	-	-
Benchmark Equity & Derivatives Opportunities Fund	-	-	-
Benchmark S&P CNX 500 Fund	-	-	-
Shariah BeES	-	-	-

2. Financial Year - 2007-2008

Scheme Name	No. of Cases Received	No. of Cases Redressed	No. of Cases Pending
Nifty BeES	1	1	-
Junior BeES	-	-	-
Liquid BeES	-	-	-
Bank BeES	-	-	-
Benchmark Derivative Fund	-	-	-
Benchmark Split Capital Fund - Balanced	-	-	-
Gold BeES	10	10	-
PSU Bank BeES	-	-	-
Benchmark Equity & Derivatives Opportunities Fund	-	-	-

3. Financial Year - 2006-2007

Scheme Name	No. of Cases Received	No. of Cases Redressed	No. of Cases Pending
Nifty BeES	-	-	-
Junior BeES	-	-	-
Liquid BeES	-	-	-
Bank BeES	-	-	-
Benchmark Derivative Fund	-	-	-
Benchmark Split Capital Fund - Balanced	-	-	-
Gold BeES	7	7	-

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.