

# Liquid BeES

LIQUID BENCHMARK EXCHANGE  
TRADED SCHEME  
(An Open Ended Listed Liquid Scheme)

## KEY INFORMATION MEMORANDUM AND APPLICATION FORM

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This Memorandum sets forth concisely the information about the scheme that a prospective investor should know before investing. This Memorandum should be retained for future reference. For further details, investors should refer to the Offer Document.

The particulars of the Liquid Benchmark Exchange Traded Scheme (Liquid BeES) have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date and filed with Securities and Exchange Board of India. The units being offered for public subscription have not been approved or disapproved by Securities and Exchange Board of India nor has the Securities and Exchange Board of India certified the accuracy or adequacy of the Offer Document.

The Key Information Memorandum is dated March 28, 2003.

**Initial Offer Opens : July 1, 2003      Initial Offer Closes : July 2, 2003**

**BENCHMARK**  
MUTUAL FUND

### INVESTMENT MANAGER

BENCHMARK ASSET MANAGEMENT COMPANY PVT. LTD.

### TRUSTEE

BENCHMARK TRUSTEE COMPANY PVT. LTD.

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**DEFINITIONS** In this Offer Document, unless the context otherwise requires :

1. 'Asset Management Company'/'AMC'/'Investment Manager' means Benchmark Asset Management Company Pvt. Ltd., a Company incorporated under the Companies Act, 1956 and approved by SEBI to act as an Asset Management Company for the scheme(s) of Benchmark Mutual Fund.
2. 'Applicable NAV' means Net Asset Value per unit of Liquid BeES as declared by the Fund and applicable for purchase/redemption of Liquid BeES, based on the business day and cut off times on which the application is received and accepted.
3. 'Authorised Participant' means a member of the National Stock Exchange of India Ltd. who is or may be appointed by the AMC/Fund to act as an Authorised Participant for the Scheme.
4. 'Custodian/ABN Amro' means ABN Amro Bank NV, which has been granted a certificate of registration by SEBI under the SEBI (Custodian of Securities) Regulations, 1996 and for the time being appointed by the Fund for rendering custodial services for the Scheme in accordance with the Regulations.
5. 'Depository' means a body corporate as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
6. 'Entry Load or Sales Load' means load on sale of units after Initial Offer Period.
7. 'Exit Load or Redemption Load' means load on repurchase/redemption of units.
8. 'Exchange/Market' means any recognized stock exchange(s) where the units of the Scheme are listed.
9. 'Exchange Traded Fund/ETF' means a fund whose units are listed on an exchange and can be bought/sold at prices which may be close to NAV of the Scheme.
10. 'FII' means Foreign Institutional Investors registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as amended from time to time.
11. 'Fund' means Benchmark Mutual Fund, a trust set up under the provisions of Indian Trust Act, 1882 and registered with SEBI vide Registration No. MF/045/01/6 dated June 12, 2001.
12. 'Gilts or Government Securities' means securities created and issued by the Central Government and /or State Government (including treasury bill) or Government Securities as defined in the Public Debt Act, 1944 as amended from time to time.
13. 'IMA' means Investment Management Agreement dated February 14, 2001, as amended from time to time, entered into between Benchmark Trustee Company Pvt. Ltd. and Benchmark Asset Management Company Pvt. Ltd.
14. 'Initial Offer' means offer for purchase of units of the Scheme during the Initial Offer Period as described herein.
15. 'Initial Offer Period' means dates on or period during which the initial subscription for the units of the Scheme can be made i.e. July 1, 2003 to July 2, 2003
16. 'Liquid BeES' means Liquid Benchmark Exchange Traded Scheme in the form of an Exchange Traded Fund to be listed on one or more Exchange(s).
17. 'Load' means a charge that may be levied as a percentage of NAV at the time of entry into the Scheme or at the time of exit from the Scheme.
18. 'Minimum or Creation Unit Size' is minimum number of Liquid BeES which can be purchased from/ redeemed directly with the Fund.
19. 'NAV' means Net Asset Value per unit of Liquid BeES, calculated in the manner described in this Offer Document or as may be prescribed by SEBI Regulations from time to time.
20. 'RBI' means the Reserve Bank of India established under The Reserve Bank of India Act, 1934.
21. 'Repo' means sale of Government Securities with simultaneous agreement to repurchase them at a later date.
22. 'Reverse Repo' means purchase of government securities with simultaneous agreement to resell them at a later date.
23. 'SEBI' means the Securities and Exchange Board of India, established under Securities and Exchange Board of India Act, 1992 as amended from time to time.
24. 'SEBI Regulations' means Securities & Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time including any circulars, directions or clarifications issued by SEBI or any Government authority and as applicable to the Scheme and the Fund.

25. 'Sponsor' means Niche Financial Services Pvt. Ltd., a Company incorporated under the Companies Act, 1956 and includes its successors and permitted assigns.
26. 'Trustee' means the Trustee Company which holds the property of Benchmark Mutual Fund in trust and includes the directors of the Trustee Company and the successors and assigns of the Trustee Company.
27. 'Trustee Company' means Benchmark Trustee Company Pvt. Ltd., a Company incorporated under the Companies Act, 1956 and approved by SEBI to act as Trustee of the Scheme(s) of Benchmark Mutual Fund.
28. 'Trust Deed' means the Deed of Trust of Mutual Fund dated February 14, 2001, entered into between Niche Financial Services Pvt. Ltd (Sponsor) and Benchmark Trustee Company Pvt. Ltd. (Trustee Company).
29. 'Units' means the interest of investor in the scheme, which consists of each unit representing one undivided share in the assets of the Scheme.
30. 'Unit-holder' means a person holding unit(s) in the Scheme of Benchmark Mutual Fund offered under this Offer Document.
31. 'Working Day/Business Day' means any day other than: (a) Saturday and Sunday (b) a day on which capital/debt markets in Mumbai are closed or are unable to trade for any reason (c) a day on which the register of unit holders is closed (d) a day on which the Banks in Mumbai are closed/ or RBI is closed for business/clearing (e) a day on which The National Stock Exchange of India is closed (f) a day which is public/Bank holiday at a collection centre where the application is received (g) a day on which sale and repurchase of units is suspended by the Trustee(s) (h) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc. However, the AMC reserves the right to declare any day a Working Day or otherwise at any or all collection centres.
32. Words and expressions used in this offer Document and not defined will have same meaning as assigned to them in Trust Deed / Regulations.

### **Interpretation**

For all purposes of this Offer Document, except as otherwise expressly provided or unless the context otherwise required:

- the terms defined in this Offer Document include the singular as well as the plural.
- pronouns having a masculine or feminine gender shall be deemed to include the other.
- all references to "dollars" or \$ refers to United States dollars and "Rs" refer to Indian Rupees. A "Crore" means "ten million" and a "lakh" means a "hundred thousand".

## LIQUID BENCHMARK EXCHANGE TRADED SCHEME (LIQUID BeES) (An Open Ended Listed Liquid Scheme)

- HIGHLIGHTS**
- Liquid Benchmark Exchange Traded Scheme (Liquid BeES) is an Open Ended mutual fund scheme ("scheme") listed on the Exchange.
  - Liquid BeES will invest in Call market, Short Term Debt Securities, T-Bills, Top Rated Commercial Papers, Repos and Natural & Synthetic short duration Floating Rate Notes, IRS, FRA and Futures as currently available or may be available in future.
  - Liquid BeES has all the benefits of defined investments such as low deviation from the defined maturity yields, low cost and a transparent portfolio.
  - Liquid BeES can be bought/sold like any other stock on the National Stock Exchange of India Ltd. (NSE) or directly with the Fund but only in pre-defined lot size called "Minimum (Creation) Unit Size".
  - As Liquid BeES can also be bought/sold directly from the fund, this mechanism provides efficient arbitrage between the traded prices and the NAV, thereby reducing the incidence of units of Benchmark Liquid Fund being traded at premium / discounts to NAV.
  - Liquid BeES will be available in Dematerialized form. This will help in consolidating with other portfolio holdings.
  - The Fund will endeavor to give daily dividend so as to maintain the NAV per unit of Liquid BeES at its face value of Rs.1,000/- The daily dividend if declared will be compulsorily reinvested in the Scheme.
  - The scheme does not have any entry load or exit load.
  - The entire initial issue expenses of the Scheme will be borne by the AMC. Thus, for every Rs.100/- invested by the investor/unit-holder, Rs.100/- will be available for investment by the Scheme.

### RISK FACTORS **General Risk Factors**

- Mutual funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objective of the Scheme will be achieved.
- As with any investment in securities, the Net Asset Value (NAV) of the units issued under the Scheme can go up or down depending on the factors and forces affecting the capital market.
- Past performance of the Sponsors and its affiliates, Mutual Fund and its Scheme(s) and AMC does not indicate the future performance of Scheme(s) of Mutual Fund.
- Liquid Benchmark Exchange Traded Scheme (Liquid BeES) is the name of the Scheme and does not in any manner indicate either the quality of the Scheme or its future prospects and returns. Investors are therefore urged to study the Offer Document carefully and consult their Investment Advisor before they invest in the Scheme.
- Though ETFs are popular abroad, it is still a new concept in India.
- The Sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the Scheme beyond the initial contribution made by it of an amount of Rs. 1 Lac towards setting up of the Mutual Fund.
- Investors in the Scheme are not being offered any guaranteed or assured returns.

### **Risk Factors Specific to the Scheme**

The Scheme is subject to the principle risks described below. Some or all these risks may adversely affect Scheme's NAV, trading price, yield, total return and ability to meet its objective.

- **Market Risk**

The Scheme's NAV will react to the interest rate movements. The investor could lose money over short periods due to fluctuation in a Scheme's NAV in response to factors such as fiscal, economic and political developments, changes in interest rates, inflation and other monetary factors.
- **Market Trading Risks**
  1. Absence of Prior Active Market: Although units of the Scheme described in this Offer Document are to be listed on the Exchange, there can be no assurance that an active secondary market will develop or be maintained.
  2. Lack of Market Liquidity: Trading in Liquid BeES on the Exchange may be halted because of market conditions or for reasons that, in the view of the Exchange Authorities or SEBI, trading in Liquid BeES is not advisable. In addition, trading in Liquid BeES is subject to trading halts caused by extraordinary

market volatility and pursuant to Exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of Exchange necessary to maintain the listing of Liquid BeES will continue to be met or will remain unchanged.

3. **Liquid BeES May Trade at prices other than NAV:** The units of the Scheme may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of Scheme's holdings. The trading prices of Liquid BeES will fluctuate in accordance with changes in their NAV as well as market supply and demand of Liquid BeES. However, given that Liquid BeES can be created and redeemed in Minimum (Creation) Unit Size directly with the fund, it is expected that large discounts or premiums to the NAVs of Liquid BeES will not sustain due to arbitrage possibility available.
4. **Regulatory Risk:** Any changes in trading regulations by the stock exchange(s) or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to NAV.
5. **Right to Limit Redemptions:** The Trustee, in the general interest of the Unit holders of the Scheme offered under this Offer Document and keeping in view of the unforeseen circumstances/unusual market conditions, may limit the total number of units which can be redeemed on any Business Day.

➤ **Redemption Risk**

Investors may note that even though this is an open-ended scheme, the scheme would ordinarily repurchase units in minimum size, presently 2,500 units of Liquid BeES. Thus, unit holdings less than the minimum size can only be sold through the secondary market on the Exchange unless no quotes are available on the Exchange for 5 trading days consecutively.

➤ **Regulatory Risks**

Neither this Offer Document nor the units have been registered in any jurisdiction. The distribution of this Offer Document in certain jurisdictions may be restricted or subject to registration and accordingly, persons who come into possession of this Offer Document are required to inform themselves about, and to observe, any such restrictions. It is the responsibility of any persons in possession of this Offer Document and any persons wishing to apply for units pursuant to this Offer Document to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

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

➤ **Asset Class Risk**

The returns from the types of securities in which the Scheme invests may under perform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of out performance and under performance in comparison with the general securities markets.

➤ **Interest Rate Risk**

Changes in interest rates will affect the Scheme's Net Asset Value. The prices of securities usually increase as interest rates decline and usually decrease as interest rates rise.

The extent of fall or rise in the prices is guided by duration, which is a function of the existing coupon, days to maturity and increase or decrease in the level of interest rate. Prices of long-term securities generally fluctuate more in response to interest rate changes than short-term securities.

The price risk is low in the case of the floating rate or inflation-linked bonds. The price risk does not exist if the investment is made under a repo agreement.

Debt markets, especially in developing markets like in India, can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.

➤ **Credit Risk**

Credit Risk means that the issuer of a security may default on interest payments or even paying back the principal amount on maturity. (i.e. the issuer may be unable to make timely principal and interest payments on

the security). Even where no default occurs, the prices of security may go down because the credit rating of an issuer goes down. It must be, however, noted that where the scheme has invested in Government securities, there is no risk to that extent.

➤ **Liquidity or Marketability Risk**

This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading Volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such period may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. As liquidity of the investments made by the Scheme could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual Fund for redemption of Units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme.

➤ **Lending of Securities**

The Securities lending activity by the Scheme will have the inherent probability of collateral value drastically falling in time of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and/or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme. Also the risk could also be in the form of non-availability of ready security for sale during the period stock is lent.

➤ **Derivative Risk**

The Scheme may participate in derivatives trading in accordance with guidelines issued under SEBI (MF) Regulations from time to time. The current guidelines allow derivatives trading for hedging and portfolio balancing only. As and when the Scheme trades in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

➤ **Investments in Overseas Financial Assets**

A Scheme may also invest in overseas financial assets as currently permitted by the concerned regulatory authorities in India. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian rupee equivalent of the net assets, distribution and income may be adversely affected by changes in the value of respective foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in the regulations concerning exchange controls or political circumstances as well as the application to it of other restriction on investment.

➤ **Political Risks**

Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved removal of trade barriers and protectionist measures, which could adversely affect the value of investments. It is possible that the future changes in the Indian political situation, including political, social or economic instability, diplomatic developments and changes in tax laws, Changes in SEBI/ Stock Exchange/ RBI regulations and other applicable laws/regulations could have an effect such investments and valuation thereof. Expropriation, confiscatory taxation or other relevant developments could affect the value of investments.

**DUE DILIGENCE CERTIFICATE** Benchmark Asset Management Company Pvt. Limited (" the AMC") has exercised due diligence while preparing the Offer Document and has submitted a Due Diligence Certificate to SEBI on February 5, 2003 in the format prescribed by SEBI and the same has been reproduced in the Offer Document.

**Load**

The purchase and sale price of units of the Scheme on an ongoing basis will be based on the Applicable NAV subject to prevalent load, if any.

There is no entry/exit load for purchase/redemption of Liquid BeES directly with the Fund in Minimum (Creation) Unit Size. However, during the process of purchase /redemption, the Fund may levy transaction costs and other incidental expenses.

**Exit Load for Redemptions in Cash**

In case of redemption of Liquid BeES for less than minimum (Creation) Unit Size, directly with the fund, where there have been no quotes on the Exchange for five trading days consecutively, an investor can sell to the fund with an exit load of 2% of NAV. The payout of such redemptions will be within 3 working days from the date of submission of redemption request.

The redemption price will be calculated using the following formula:

$$\text{Redemption Price} = \text{Applicable NAV} - \text{Exit load}$$

Example for calculation of Redemption Price

If the Applicable NAV is Rs.100 and a 2% exit load is charged, the redemption price will be calculated as follows:

$$\begin{aligned} \text{Redemption Price} &= \text{Rs.100} - (2\% \text{ of Rs.100}) \\ &= \text{Rs.100} - \text{Rs. 2} \\ &= \text{Rs. 98 per unit} \end{aligned}$$

The Trustee reserves the right to change/modify/alter the load structure under any scheme(s) and may decide to charge an entry load/exit load or a combination of entry/exit loads or introduce a differential load structure on the units subscribed/redeemed during the specified subscription periods/specified redemption dates or on any other business day. The load charged may also be linked to the period of holding. Any change in the load structure shall apply on a prospective basis and in no case the same would affect the existing investors adversely.

The scheme will however ensure that the redemption price is not lower than 93% of the NAV and sale price is not higher than 107% if the NAV provided that difference between the Redemption Price and Sale Price of the unit shall not exceed the permissible limit of 7% of the Sale price as provided under the SEBI Regulations.

At the time of change in load structure in future, the AMC will take following steps:

- (a) The addendum detailing the changes shall be attached to the Offer Document and the abridged offer document. The addendum shall be circulated to all authorised participants (if any), registrar, distributors to be attached to all the Offer Document and abridged offer document in stock. The addendum shall be sent along with the newsletter or other communication sent to the unitholders immediately after the change.
- (b) The AMC shall make arrangements to display the change/modification in the Offer Document in the form of a notice at the office of the AMC, Registrar, Authorised Participants (if any).

**Utilisation of Load**

The load collected from the investors will be credited to a separate account with the AMC and will be utilized towards meeting the selling and distribution expenses and investor servicing related expenses and for any other purpose as may be permitted under the SEBI Regulations. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

**Expenses**

As per the provisions of the Regulations, read with the amendments thereto, the following fees and expenses will be charged to each of the Schemes:

**Initial Issue Expenses  
For the Present Scheme**

The entire initial issue expenses for the present scheme will be borne by the AMC. Thus for Rs.100/- invested by the investor, Rs.100/- will be available for investment by the Scheme.

**Past Schemes**

In December 2001, the Fund launched its first mutual fund scheme viz. Nifty Benchmark Exchange Traded Scheme (Nifty BeES). The entire initial expenses of Rs.53,965 (Rupees Fifty Three Thousand Nine Hundred Sixty Five only) were borne by AMC.

In February 2003, the Fund launched its second mutual fund scheme viz. Nifty Junior Benchmark Exchange Traded Scheme (Junior BeES).

The Initial Issue Expenses incurred are as follows:

Category of Expenses	Rupees
Broking Fees & commission	1,08,800.00
Registrar Expenses	76,977.00
Printing & Mailing Expenses	3,50,489.30
<b>Marketing and Miscellaneous Expenses</b>	
Marketing Expenses	68,642.75
Miscellaneous Expenses	62,940.00
<b>Total</b>	<b>6,67,849.05</b>

Out of total initial issue expenses Rs. 1,82,225 (Rupees One Lakh Eighty Two Thousand Two Hundred Twenty Five only) were charged to Mutual Fund. This is 1.5% of initial amount collected during IPO. Balance Rs. 4,82,625 (Rupees Four Lakh Eighty Two Thousand Six Hundred Twenty Five only) was borne by AMC.

### Annual Scheme Recurring Expenses

The Scheme would commence incurring ongoing expenses from the first day including during the initial offering period. It shall be the endeavor of the AMC to maintain a lower expense ratio than that allowed by SEBI Regulations.

The AMC has estimated the following annual recurring expenses on daily average net assets:

Item	% Net Assets
Investment Management Fees	0.30%
Reimbursement of costs to various Service Providers	0.40%
Cost of Communication with the unit holders/Investors	0.10%
Custodial Fees, Registrar Fees, Trustee Fees, Audit Fees, Legal Fees and Other Expenses	0.30%
<b>Total</b>	<b>1.10%</b>

The estimates above have been made in good faith by AMC and are subject to change inter se as per actual expenses incurred. The expenses under any head may be more or less than as specified expenses in the table above, but the total recurring that can be charged to the scheme will be within the limits specified above. The expenses over and above the limits specified above will be borne by the AMC.

The table given above relating to Annual Recurring Expenses has been given to the investor to assist him/her in understanding the various costs and expenses that an investor of the scheme will bear directly or indirectly.

SEBI has prescribed the maximum annual recurring expenses that can be charged to the Scheme. Annual Scheme Recurring Expenses shall be within the limits stated in Regulations 52 (6) and subject to a percentage limit of Weekly Average Net Assets as in the table below:

First Rs.100 crore	Next Rs.300 crore	Next Rs.300 crore	Over Rs.700 crore
2.50%	2.25%	2.00%	1.75%

Such recurring expenses shall be lesser by 0.25% of the weekly average net assets outstanding in each financial year in respect of scheme investing in bonds.

Any expenditure in excess of the limits specified in the SEBI Regulations should be borne by the AMC.

### Remuneration of the AMC

For the Scheme, the AMC plans to charge an annual investment management and advisory fee @ 0.30% of the daily average Net Assets of Liquid BeES outstanding in each financial year.

Such fees would accrue daily and be payable in arrears on the last working day of each month.

### Trustee Remuneration

Pursuant to the Deed of Trust constituting the Fund, the Fund is authorized to pay the Trustees a fee for its services in such capacity of a sum presently computed at the rate upto 0.10% of the amount, being the aggregate of the Trust Fund and Unit Capital of all the Schemes put together on April 1 of each year or a sum of upto Rs.5,000/- (Rupees Five Thousand Only) per director of the Trustee Company for each meeting of the Trustees in each financial year whichever is higher. The Trustee may charge further fees as permitted from time to time under the Trust Deed and the Regulations.

The Trustee will be entitled to receive Trusteeship Fees @0.05% per annum of the daily average net assets of Liquid Benchmark Exchange Traded Scheme (Liquid BeES) of Benchmark Mutual Fund and such fees shall be paid quarterly in arrears.

The direct expenses incurred by the Scheme of Benchmark Mutual Fund shall be chargeable to that scheme. The common expenses incurred on various schemes will be charged on the basis of number of unit holders, the size of corpus of the scheme and in conformity with generally accepted accounting principles.

### Historical Per Unit Statistics

### CONDENSED FINANCIAL INFORMATION

Historical Per Unit Statistics	Nifty BeES		Junior BeES
	December 28, 2001 to March 31, 2002 (audited)	April 1, 2002 to March 22, 2003 (unaudited)	For the Period February 21, 2003 to March 22, 2003 (unaudited)
Date of Allotment	December 28, 2001		February 21, 2003
NAV at the beginning of the year	104.3927	112.9593	142.7852
Net Income per unit #	8.57	-6.05	-8.11
Dividends	-	-	-
Transfer to Reserves (if any)	-	-	-
NAV at the end of year	112.9593 <sup>\$</sup>	104.2365	134.6719
Absolute Returns (Since Inception)	8.21%	0.76%	-5.68%
Benchmark Absolute returns	9.26%	0.32%	-3.86%
Annualized Returns	32.21%	0.62%	NA
Benchmark Annualized returns	36.35%	0.26%	NA
Net assets at the end of period (Rs. Crores)	7.1344	9.5662	1.1463
Ratio of Recurring Expenses to Net Assets	0.80%	0.80%	1.00%

#### For Nifty BeES

\$ NAV as on March 28, 2002.

# Based on Corpus as on March 31, 2002 and March 22, 2003 respectively.

1. Since the Scheme tracks S&P CNX Nifty Index, the returns of the scheme have been compared with S&P CNX Nifty.
2. For the purpose of calculation of Returns since the date of allotment, NAV on the date of allotment is taken at Rs.104.3927 being the allotment price at which the units are allotted in the Initial Public Offer.
3. Bonus declared on February 19, 2003 in the ratio of 1:110, the returns have been calculated after adjusting for Bonus.
4. March 31, 2002 was not a business day.
5. The ratio of expenses to Net assets is annualized.

#### For Junior BeES

# Based on Corpus as on March 22, 2003.

1. Since the Scheme tracks CNX Nifty Junior Index, the returns of the scheme have been compared with CNX Nifty Junior.
2. As the Scheme has not completed a full year of operation, returns are computed in absolute terms.
3. For the purpose of calculation of Returns since the date of allotment, NAV on the date of allotment is taken at Rs.142.7852 being the allotment price at which the units are allotted in the Initial Public Offer.
4. The ratio of expenses to Net assets is annualized.

Benchmark Mutual Fund has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 under the Trust Deed dated February 14, 2001 and is registered under the Indian Registration Act, 1908 on March 8, 2001. The Mutual Fund is registered with SEBI vide Registration No. MF/045/01/6 dated June 12, 2001 and corpus fund has been formed to be held upon by the Trustee.

### CONSTITUTION AND MANAGEMENT OF THE FUND

The underlying objective of Benchmark Mutual Fund is to mobilize savings from public or section of the public, provide investment expertise and to achieve optimum returns on their investments as per the SEBI Guidelines.

#### Benchmark Asset Management Company Pvt. Ltd.

### INVESTMENT MANAGER

Benchmark Asset Management Company Pvt. Ltd. (AMC) has been appointed to manage the assets of Benchmark Mutual Fund and operate its various schemes under the provisions of the Investment Management Agreement entered into with Benchmark Trustee Company Pvt. Ltd. on February 14, 2001.

Benchmark AMC was incorporated as a Public Limited Company on October 16, 2000 and was subsequently converted to Private Limited Company vide the Certificate dated February 27, 2002 issued by the Registrar of Companies, Maharashtra, Mumbai.

The AMC will manage the Schemes of the Fund, including the Scheme mentioned in this Offer Document, in accordance with the provisions of Investment Management Agreement, the Trust Deed, the Regulations and the objectives of each of the scheme.

The AMC may be changed by a majority of the Trustee or 75% of the unit holders in the Fund opting so, subject to scrutiny and approval of SEBI.

AMC has been granted approval by SEBI to function as an AMC to the Fund and shall be responsible, inter-alia, for the following:

1. Launching and operating various Schemes of the Benchmark Mutual Fund.
2. Performing Investment Management functions for various Schemes of the fund.
3. Ensuring that the Investment of the assets pertaining to any Scheme is made in accordance with the provisions of SEBI Regulations and Trust Deed.
4. Ensuring that adequate disclosures are made to the unit holders and to SEBI regarding the performance of the Fund in accordance with SEBI Regulations.

Besides the offering and management of schemes offered by the Benchmark Mutual Fund, the AMC may undertake activities in the nature of Portfolio Management Services, management and advisory services to Pension Funds, Venture Capital Funds, Off-shore funds, Provident Funds, management of insurance funds, financial consultancy and exchange of research on a commercial basis. However, the other activities of AMC shall be subject to prior approval of SEBI and Trustee.

The AMC is presently managing two Schemes on behalf of Benchmark Mutual Fund viz. Nifty Benchmark Exchange Traded Scheme (Nifty BeES) and Nifty Junior Benchmark Exchange Traded Scheme (Junior BeES). Nifty BeES is the first Exchange Traded Fund which has been launched in India.

The AMC has obtained registration from SEBI vide Registration No. PM/INP000000647 dated May 31, 2002 to act as a Portfolio Manager under the SEBI (Portfolio Managers) Regulations, 1993. The Certificate of Registration is valid from June 1, 2002 to May 31, 2005. The Portfolio Management Services Activity of AMC is not in conflict with the activities of the Mutual Fund.

The present shareholding pattern of AMC is as follows:

Particulars	Number of Shares	% of holding
Sponsor and its affiliates	84,43,070	70.31
Individual Shareholders	35,66,000	29.69
<b>Total...</b>	<b>1,20,09,070</b>	<b>100.00</b>

### **Investment Philosophy**

The objective of Benchmark Mutual Fund is to provide low cost, innovative products based on Passive and Quantitative Techniques. Quantitative Techniques aim to capture the massive amounts of financial information flowing through our systems on a daily basis, analyzing and transforming it to develop disciplined, rigorous approach to portfolio investing.

Quantitative Techniques apply the latest tools and techniques in investment management and information technology to identify and exploit under valued securities. With the rapidly increasing availability of online information, growing computational power, Quantitative Techniques to investing is already a significant phenomenon globally and is growing rapidly.

Initially, we plan to introduce to investors, the benefits of Quantitative Techniques by using index strategies. Over time we plan to introduce other value added products, which use quantitative techniques in all aspects of investments such as security, industry, portfolio construction and trading strategies.

### **Expertise in Managing Exchange Traded Funds (ETFs)**

The key employees of the AMC have experience in development of important indices in the country besides experience in Derivatives, Equities and Debt. The AMC has also developed proprietary software for managing Exchange Traded Funds.

### **Board of Directors**

The Board of Directors of AMC consists of eminent persons from the fields of finance, investments and corporate law.

**Mr. Dhirajlal S. Mehta**

301/302, Goragandhi Apartment, 3, Laburnum Road, Gamdevi, Mumbai - 400 007.

Mr. Dhirajlal S. Mehta, is associated with the Sponsor in his capacity as its Chairman.

Mr. Mehta is also Director of :

Mukand Ltd., Maharashtra Scooters Ltd., Bajaj Sevashram Pvt. Ltd., Bachharaj & Co. Pvt. Ltd., Bajaj Auto Holdings Ltd., Bajaj Auto Finance Ltd., Bajaj Hindusthan Ltd., Jannalal Sons Pvt. Ltd., Jeewan Ltd., Sikkim Janseva Pratishtan Pvt. Ltd., Janmabhoomi Newspapers Education Foundation, Monotona Tyres Ltd., Bajaj Auto Ltd., Bhoopati Shikshan Pratishtan, Mahakalp Arogya Pratishtan, Hincon Holdings Ltd., Puja Agencies Pvt. Ltd.

Mr. Mehta is:

Honorary Joint Director of Bharatiya Vidya Bhavan, Vice President of Kasturba Health Society, Sevagram, Joint Managing Trustee of Saurashtra Trust which owns and publishes leading Gujarati Newspapers like Janmabhoomi, Vyapar etc., Vice Chairman of Kasturba Gandhi National Memorial Trust, Executive Council Member of Gandhi Peace Foundation.

Mr. Mehta is also a member on SEBI's sub-committee on Disclosure Requirements.

**Mr. Sevantilal J. Parekh**

United India Bldg. 2nd Floor, Sir P.M. Road, Fort Mumbai - 400 001.

Mr. Parekh is an Independent Director on the Board.

Mr. Parekh is the Chairman of:

United Shippers Ltd., Excel Glasses Ltd., USL Shinarai Automobiles Ltd.

Mr. Parekh is also director of:

Orient Containers Ltd., Kopran Ltd., Shree Nirmal Commercial Ltd. G. Claridge & Company Ltd., Hyderabad Construction Ltd., Dukes Retreat Ltd., KDL Biotech Ltd., Vanleer Moulded Fibres India Ltd., USL Motor Cycles Ltd., Shyam Estates Pvt. Ltd., Shyam Investment Corporation Pvt. Ltd., Faisalcon Pvt. Ltd., Ahmedabad Ice & Cold Storage Pvt. Ltd., Shyam Chemicals Pvt. Ltd., Fair Freeze Industries Pvt. Ltd., UNI Recyclers Pvt. Ltd., Venture Recyclers & Holding Pvt. Ltd., The Modern Salt Works Pvt. Ltd., Super Marketing Services Pvt. Ltd., Click Investment & Trading Pvt. Ltd., Blue Nile Finvest Pvt. Ltd., Mascot Construction Pvt. Ltd., Radaelli (India) Pvt. Ltd.

Mr. Parekh is Trustee of:

Prakash Foundation, Shree Jivanlal Keshrichand Memorial Trust, Taraben Jivanlal Charitable Trust, S S P Charitable Trust, Gram Vikas Seva Trust, Jivanlal Keshrichand Trust, Kanchanben Chokshi Family Trust, Kanchanben Panalal Trust, Sarla Sevanti Trust, Parekh Trust, Pravina Trust.

**Mr. Shripad R. Halbe**

Fountain Chambers, 3rd Floor, Nanabhai Lane, Flora Fountain, Mumbai - 400 023.

Mr. Halbe is an Independent Director on the Board. He is a practicing Company Secretary.

Mr. Halbe is also director of :

Radhakant Investment & Trading Pvt. Ltd., Jasraj Investments & Trading Pvt. Ltd. Shramik Investment & Trading Pvt. Ltd., Serai Exports Pvt. Ltd., Bajaj Ventures Ltd., Endurance Systems (India) Ltd., Bank of India, Verroc Engineering Ltd., Hincon International Ltd., High Technology Transmission Systems (India) Pvt. Ltd.

He is also Honorary Trustee of Brihad Bharatiya Samaj, Jan Kalyan Charitable Trust and Anita Dhanda Family Trust.

**Mr. T. N. V. Ayyar**

62, Atlanta, Nariman Point, Mumbai - 400 021.

Mr. Ayyar is an independent Director on the Board. He is a Chartered Accountant.

Mr. Ayyar is also Director of:

Jet Airways (India) Pvt. Ltd., Tata Ceramics Ltd., GTL Ltd., Crest Communications Ltd. Emco Ltd., Apcotex Lattices Ltd., R. T. Exports Ltd. GE Capital Transport Financial Services Ltd.

He is also Trustee of:

Indian Council for Mental Health and Sri Lakshmi Nrisimha Sabha

**Ms. Susan Thomas**

Indira Gandhi Institute of Development Research, Gokul Dham, Gen A.K. Marg, Goregaon (W), Mumbai - 400 065.

Ms. Susan is an independent Director on the Board.

She is Assistant Professor at Indira Gandhi Institute of Development Research.

**KEY PERSONNEL OF AMC** **Rajan Mehta, Age: 39 Years, Executive Director**

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 15 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 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 Funds schemes. He is working with Benchmark Asset Management Company Pvt. Ltd. since August 2001.

**Sanjiv Shah, Age: 37 Years, Executive Director**

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 FRM Certification from Global Association of Risk Professionals. He has over 15 years of experience in the Capital Markets. He has worked with DSP Merrill Lynch Ltd. 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 Benchmark Asset Management Company Pvt. Ltd. since April 2001.

**Sanjay Gaitonde, Age: 33 Years, Executive Director**

He is a Chartered Accountant and Cost Accountant with over 8 years experience. He is 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 Credit Rating Information Services of India Ltd. (CRISIL), India's premier rating agency. He has been involved in the setting up of Mutual Fund since its inception.

**Praveen Rao, Age: 32 Years, Vice President**

He is a Chartered Accountant with over 8 years experience. He was Vice President of Friendly Financial Services Pvt. Ltd. He was involved in financial advisory to a number of top rated clients. He was also involved in setting up the NSE operations. He has been involved in the setting up of Mutual Fund since its inception.

**Vishal Jain, Age: 30 Years, Vice President - Investments.**

He is B. Sc. and MBA with 6 years experience. He was previously with the Credit Rating Information Services of India Ltd. (CRISIL), 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. At IISL, he was also involved in promoting indices for higher applications like Index Funds and Options. He is working with Benchmark Asset Management Company Pvt. Ltd. since October 2000.

**Suresh Jakhotiya, Age: 32 Years, Vice President - Compliance**

He is a Chartered Accountant with over 7 years experience. He was previously with Tata Liebert Ltd in Accounts and Finance. He has varied experience in Taxation, Finance & Accounts and Regulatory aspects. He has been involved in the setting up of Mutual Fund since its inception.

Sanjiv Shah is the Fund Manager for Liquid BeES.

**TRUSTEETO  
BENCHMARK  
MUTUAL FUND**

**Benchmark Trustee Company Pvt. Ltd.**

Benchmark Trustee Company Private Limited, a Company incorporated under the Companies Act, 1956 is the Trustee to the Benchmark Mutual Fund vide the Trust Deed dated February 14, 2001. The Trustee Company was incorporated as a Public Limited Company on October 27, 2000 and was subsequently converted to Private Limited Company vide the Certificate dated February 4, 2002 issued by the Registrar of Companies, Maharashtra, Mumbai.

The Members of Board of Directors of Trustee Company consists of the following eminent persons:

**Dr. Surendra A. Dave**

17/31, MHB Colony, Opp. Lilavati Hospital, Bandra Reclamation, Bandra, Mumbai 400 050.

Dr. Dave, Chairman of the Board, is an independent Director on the Board.

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 nearly 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 Department, Development Financing Institutions Department, Management Services Department amongst other departments.

Dr. Dave is a chairman of:  
The Centre for Monitoring Indian Economy.

Dr. Dave is also director of :  
HDFC Ltd., SBI Gilts Ltd, Escorts Ltd., CRISIL Ltd. Life Insurance Corporation, IRCON Ltd. Future Software Ltd. GIIC, Phoenix Township Ltd., Captech Online Pvt. Ltd., Quantum Financial Services, Merchant Media Ltd., Indo National Ltd.

Dr. Dave is Trustee of:  
Consumers Education and Research Centre; Indian Merchant Chambers' Economic Training and Research Foundation; Bombay First, Nalanda Dance Research Centre; Board of Trustees of Alliance Capital; Nandigram, Gujarat.

Member: Taker-Over Panel of SEBI, Mumbai.

### **Dr. Manesh L. Shrikant**

Nilambari, Plot No.38, Jai Hind Society, 11th Road, JVPD Scheme, Mumbai - 400 049.

Dr. Shrikant is an Independent Director on the Board. He possesses a Doctorate in General Management from the Harvard Business School, MBA in Finance & Economics from Cornell University and B.S and M.S. in Engineering from Michigan and Illinois University respectively. He was the CEO of Mukand Ltd. for nearly 8 years from 1967 to 1975. He has been a consultant to many companies in India and US since 1980s in many fields including Turnaround, Growth and Diversification strategies, Establishing Strategic and Corporate Planning, Management Control and related Administrative Systems.

He is the Honorary Dean of Bharitya Vidya Bhavan's S. P. Jain Institute of Management & Research, Mumbai.

He is also Director of Shrikant Consultants Pvt. Ltd, Mumbai, Molex India Ltd., Bangalore.

### **Dr. Pravin P. Shah**

Jal-Kiran, Cuffe Parade, Mumbai - 400 005.

Dr. Shah is an Independent Director on the Board. He is a practicing Chartered Accountant and holds Ph. D. in Cost Accounting from Mumbai University.

Dr. Shah is also Director of:  
Adani Exports Ltd., J.M. Financial & Investment Consultancy Services Pvt. Ltd., J. M. Morgan Stanley Pvt. Ltd., Bhansali Engineering Polymers Ltd., Claris Lifesciences Ltd., Landmark Business Service Centre Pvt. Ltd., Landmark Financial & Investment Consultancy Pvt. Ltd., Macro Investment & Financial Consultants Pvt. Ltd., Jai Corp Ltd.

### **Mr. Dakshesh B. Dhruv**

Nishant Building, Poddar Road, Santacruz (W), Mumbai 400 054.

Mr. Dhruv is an Independent director on the Board.

He is Partner of:  
Dhru & Co., a firm of Solicitors, Advocates & Notary.  
Pathare Dhru & Co. Advocates and Solicitors.

Mr. Dhruv is also director of:  
The Dawn Mills Co. Ltd., RST (India) Pvt. Ltd., De Shipping & Food Processing Inds. Ltd, Integrated Marketing Services Pvt. Ltd., Bajaj Electricals Ltd., Shrikant Consultants Pvt. Ltd.

He is Trustee Shri Brihad Bharatiya Samaj and Trustee & Vice-President Gujrat Research Society.

### **Rights, Duties and Responsibilities of the Trustee**

The rights, duties and responsibilities of the Trustee shall be in accordance with Regulation 18 read with Chapter III of the Regulations and Trust Deed. The Trustee 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.

### **SUMMARY OF SUBSTANTIAL PROVISIONS OF TRUST DEED**

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 scheme(s) 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 scheme(s) 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.

### **Duties and Responsibilities of Trustee**

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 Benchmark 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 Asset Management Company 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 laid down parameters for their supervision;
  - f. Prepared a compliance manual and designed internal control mechanisms including internal audit systems and
  - g. Specified norms for empanelment of brokers and marketing agents.
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 AMC in any manner detrimental to the interest of holders of units;
7. The Trustee shall ensure that the transactions entered into by AMC are in accordance with the Regulations and the Scheme;
8. The Trustee shall ensure that the AMC has been managing the Mutual Fund Scheme independently of other activities and have taken adequate steps to ensure that the interest of the investors of the Scheme 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 AMC are in accordance with the provisions of 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 business of Fund is not in accordance with these Regulations and the provisions of the Scheme launched there under, they shall forthwith take such remedial steps as are necessary by them and immediately inform SEBI of the violation and 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 Fund's property of the Scheme and to hold the same in trust for the benefit of Unit holders in accordance with the Regulations and the provisions of Trust Deed.
13. The Trustee shall take steps to ensure that the transactions of the Fund are in accordance with the provisions of Trust Deed.
14. The Trustee 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 Scheme in accordance with the Regulations and the Trust Deed.
15. The Trustee is required to obtain the consent of 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 any scheme or the trust or the fees and expenses payable or any changes which would modify the scheme 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 newspaper published in the language of 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 lot of Liquid BeES held.

**Explanation:** For the purpose of this clause "fundamental attributes" means the investment objective and terms of a scheme.
17. The Trustee shall call for the details of transactions in securities by the Key Personnel of 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 securities and satisfy itself that such contracts are executed in the interest of 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 Trustee 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 scheme 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:

## **Due diligence by the Trustee**

### **A. General Due Diligence**

The Trustee shall:

- i. Be discerning in the appointment of the directors on the Board of the AMC;
- ii. 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;
- iii. Ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons;
- iv. Ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority;

- v. Arrange for test checks of service contracts; and
- vi. Immediately report to SEBI of any special developments in the Fund.

**B. Specific Due Diligence**

The Trustee shall:

- i. Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee;
  - ii. Obtain compliance certificates at regular intervals from the AMC;
  - iii. Hold meeting of the Board of the Trustee Company frequently;
  - iv. 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;
  - v. Maintain records of the decisions of the Board of the Trustee Company at their meetings and of the minutes of the meetings;
  - vi. Prescribe and adhere to a code of ethics by the Trustee, AMC and its personnel; and
  - vii. 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 Trustee shall not be held liable for any act done in good faith if they have exercised adequate due diligence honestly.
28. The independent directors of Trustee shall pay specific attention to the following as may be applicable namely :-
- a. The Investment Management Agreement and the compensation paid under the same;
  - b. Service contracts with affiliates - whether the AMC has charged higher fees than outside contractors would have charged for the same services;
  - c. Selection of the AMC's independent directors;
  - d. Securities transactions involving affiliates to the extent such transactions are permitted;
  - e. Selecting and nominating individuals to fill independent director vacancies;
  - f. Code of ethics have been designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transaction;
  - g. The reasonableness of fees paid to the Sponsors, AMC and any others for services provided;
  - h. Principal underwriting contracts and their renewals and
  - i. Any service contract with the associates of the AMC.
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 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 period April 1, 2002 to March 28, 2003 the Board of Directors of Trustee Company has so far held 5 meetings. The reports on Statutory Compliance received from the AMC are placed before the meeting. The Quarterly 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 Trustee(s) 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.

The Trustee shall also ensure that:

- i. investments are of permitted kind and within the set limits;
- ii. the fund assets are duly protected;
- iii. transactions in units under a scheme are properly executed by the AMC with reference to the pricing of units and payments into and out of the fund;
- iv. adequate internal controls are provided for by the AMC
- v. income due to the fund is properly accounted for;
- vi. all expenses and charges to the funds are as permitted; and
- vii. distributions from the fund are done properly.

**THE SPONSOR Niche Financial Services Pvt. Ltd. (Niche)**

Benchmark Mutual Fund is set up by Niche Financial Services Pvt. Ltd. Niche Financial Services Pvt. Ltd. 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) vide Registration No. 13.00311 dated 9th March 1998.

The Chairman of Niche Financial Services Pvt. Ltd. is Mr. Dhirajlal S. Mehta who is a whole time director of Bajaj Auto Ltd. At Bajaj Auto, he is in charge of managing over Rs.2000 crores of funds. He is also a director of several well-known companies e.g. Mukand Ltd., Bajaj Auto Finance Ltd., Bajaj Auto Holdings Ltd., Maharashtra Scooters Ltd., Bajaj Hindustan Ltd., Bachraj & Co. Ltd., etc. As a trustee of several voluntary organizations in India, he handles investments of another Rs.700 crores.

The Company provides a host of services, which include Corporate Advisory Services, Corporate Finance, International Advisory Services & Capital Market and Stock Broking.

#### **Registrars and Transfer Agents**

##### **MCS Ltd.**

'Sri Padmavati Bhavan',  
Plot No 93, Road No 16,  
MIDC Area, Andheri (E),  
Mumbai - 400 093.

##### **Custodian**

##### **ABN Amro Bank NV**

71/72, Sakhar Bhavan,  
Nariman Point  
Mumbai - 400 021.

#### **Auditors to the Scheme**

##### **N. M. Raiji & Co.**

6<sup>th</sup> Floor, Universal Insurance Building  
P. M. Road, Fort  
Mumbai 400 001

#### **Collecting Bankers to the Issue**

##### **ABN Amro Bank NV**

SEBI Registration No. INBI00000034

#### **Compliance Officer**

##### **Suresh Jakhotiya**

Benchmark Asset Management Company Pvt. Ltd.  
602, Maker Bhavan No.3, 21, New Marine Lines  
Mumbai - 400 020.  
Tel No. (91 22) 2200 3389.  
e-mail: suresh@benchmarkfunds.com

#### **Investor Relation Officer**

##### **Praveen Rao**

Benchmark Asset Management Company Pvt. Ltd.  
602, Maker Bhavan No.3, 21, New Marine Lines  
Mumbai - 400 020.  
Tel No. (91 22) 2200 3389.  
e-mail:praveen@benchmarkfunds.com

#### **Type of Scheme**

Open-ended, exchange listed Liquid Scheme with daily dividend and compulsory reinvestment of dividend, with no assured returns, which aims to provide high liquidity for investors.

**LIQUID  
BENCHMARK  
EXCHANGE  
TRADED SCHEME  
(LIQUID BeES)**

#### **Investment Objective**

The investment objective of the Scheme is to enhance returns and minimize price risk by investing in basket of call money, short-term government securities and money market instruments of short and medium maturities while maintaining the safety and liquidity.

**INVESTMENT  
OBJECTIVES &  
POLICIES**

#### **Principal Investment Strategies**

Investment strategy of the Scheme is to invest in very high quality short-term debt paper with objective of avoiding loss of capital even on a daily basis. Fund will invest in Government Securities, Treasury bills, high rated corporate bonds with the maturity of less than one year. Fund also may take limited exposure upto 20% of the corpus in high rated floating rate corporate bonds with maturity not more than five years.

Scheme investment will be in accordance with investment objective of the Scheme and provisions of SEBI Regulations.

The AMC will endeavour to meet the investment objective of the Scheme while maintaining a balance between safety, liquidity and return on investments.

As the primary objective of the scheme is to provide high liquidity with low volatility, the AMC will invest a significant portion of assets in short term /floating rate securities, which carry low market risk. The scheme may also use derivatives to reduce the volatility of the portfolio and / or to enhance the portfolio returns. The Fund will try to identify securities that yield relative value over others for similar risk and liquidity level. Various analytical tools like spread, horizon returns, forward implied interest rates will be deployed to evaluate various investment options.

Investment in debt instruments carry various risks like Interest Rate Risk, Liquidity Risk, Credit Risk, etc. While they can not be eliminated, they can be reduced by diversification and effective use of hedging techniques.

Investment views / decisions will be taken on the basis of following parameters:

1. Liquidity of the security.
2. Maturity profile of the instruments.
3. Quality of the Security/ instrument (including the financial health of the issuer).
4. Returns offered relative to alternative investment opportunities.
5. Prevailing interest rate scenario.
6. Any other factors considered relevant in the opinion of the AMC.

### Investment Pattern

The Scheme will retain the flexibility to invest in the entire range of securities as per investment objectives of the Scheme and as per the SEBI Regulations.

The investment policies of the Scheme shall be as per SEBI (Mutual Funds) Regulations, 1996, and within the following guideline. Under normal market circumstances, the investment range would be as follows:

Instruments	Risk Profile	%
Call Money, Short Term Government Securities, T- Bills, Repos, Debt Securities*	Low	Up to 100%
Commercial Papers, CDs, Short Term Debentures and Floating Rate Notes rated A and above	Medium to High	Up to 100%

\* Debt securities may include securitised debts up to 50% of the net assets.

Money market and debt instruments will include but will not be restricted to:

1. Money Market instruments as permitted by SEBI/RBI, call money or an alternative investments for the call money market as may be provided by RBI to meet the liquidity requirements.
2. Certificate of Deposit (CDs).
3. Commercial Paper (CPs).
4. Securities created and issued by the Central and State Government and / or repos/ reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
5. Securities guaranteed by the Central and State Government (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
6. Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/ State Government guarantee.
7. Corporate debt and securities (for both public and private sector undertakings) including Bonds, Debentures, Notes, Strips, etc.
8. Obligations of banks (both public and private sectors) and development financial institutions.
9. Securitised Debt Obligations. Investments in such securities will not exceed 50% of the net assets of the Scheme or such other limits as may be prescribed from time to time.
10. The non-convertible part of convertible securities.
11. Pass through, Pay through or other Participation Certificates representing interest in pool of assts including receivables.
12. Any other domestic fixed income securities including Structured Obligations.
13. Any international fixed income securities as permitted by SEBI and RBI from time to time.
14. Derivative instruments like Interest Rate Swaps, Forward Rate Agreement and such other derivative instruments as permitted by SEBI/RBI.
15. Any other like instrument as may be permitted by RBI/SEBI/such other Regulatory Authority from to time.

The securities mentioned above and such other securities the Scheme is permitted to invest could be listed, unlisted, privately placed, secured or unsecured. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placements, right offers or negotiated deals.

If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not, normally exceed 50% of the corpus of the Scheme.

### Change in Investment Pattern

It must be clearly understood that the percentages stated above are only indicative and not absolute and may vary

from time to time, the intention being at all times to seek to protect the interest of unit holders. Subject to the Regulations, the asset allocation pattern indicated above for the Scheme may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. Such change in the investment pattern will be for short term only.

The AMC retains the flexibility to invest across all the securities/instruments in Debt and money market. The flexibility is being retained to adjust the portfolio in response to a change in the risk-return equation for asset classes under investment, with view to maintain within manageable limits.

Any change in the asset allocation affecting the investment profile of the Scheme will be affected only in accordance with the provisions of sub regulations (15A) of Regulation 18 of the Regulations, as detailed below.

### **Risk Control**

Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risk in the portfolio construction process. The risk control process involves reducing risk through portfolio diversification, taking care however not to dilute the returns in the process. It is the belief of AMC that the diversification would help achieve the desired level of consistency in returns.

The AMC aims to identify securities, which offer superior level of yields at lower level of risks. The AMC will be guided by the ratings of Ratings Agencies such as CRISIL, CARE, ICRA and Duff and Phelps Credit Rating India Ltd. or of any other rating agencies that may be registered with SEBI from time to time.

The Scheme may also use various derivatives and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance the unit holders interest.

### **Debt Markets in India**

The Indian debt market, one of the largest in Asia, have witnessed a rapid growth in last couple of years aided by increased government borrowing and initiatives by Reserve Bank of India to implement structural changes in the market place. Factors like new instruments, increased liquidity, deregulations of interest rates and improved settlement system have contributed to the growth of debt market in India. The main participants in debt market are banks, primary dealers, mutual funds, insurance companies, provident funds and corporates. The debt market is primarily divided into two segments government securities market and corporate debt market. While government securities market is highly liquid and accounting for almost 90-95% of daily market turnover, corporate debt market is developing rapidly. The volumes in the government securities market range between Rs.3,000 to Rs.6,000 crores with instrument tenors ranging from short dated treasury bills to long dated securities extending beyond 20 years. The government securities are issued in form of Treasury Bills (91 and 364 days) and long-term bonds. The corporate bond market is also fast developing with increased participation from banks, Financial Institutions, mutual funds, insurance companies and cash rich corporates. The corporate debt issuance is in form of short-term commercial papers (upto 1 year), short and long-term debentures and MIBOR Linked bonds. The kind of risks associated with fixed income investment are interest rate risk, credit risk and liquidity risk. The yield curve tends to be positive slopping i.e. yields of shorter dated securities being lower than that of longer dated ones.

The money market in India essentially consists of call money market (i.e. market for overnight and term money between banks and institutions), repo transactions (temporary sale of government securities with an agreement to buy back securities at a future date at specified price), commercial papers (CPs, short term unsecured promissory note, generally issued by the Corporate), certificates of deposits (CDs issued by banks) Treasury Bills (issued by RBI). A predominantly institutional market, the key money market players are banks, financial institutions, mutual funds, insurance companies, primary dealers and corporates.

With a view to deepen the debt market, the Stock Exchange, Mumbai and the National Stock Exchange of India recently started retail trading in Government Securities.

Various instruments currently available for investments are:

<b>Instrument</b>	<b>Indicative yield (p.a.)</b>	<b>Liquidity</b>	<b>Risk Profile</b>
Call Money	5.25% - 7.25%	High	Low
Repos	5.25% - 8.00%	High	Low
Treasury Bills - 3 months to 1 year	5.35% - 6.68%	High	Low
GOI Securities	4.90% - 8.50%	High	Low
State Government	5.65% - 7.59%	High	Moderate
CP	6.23% - 6.90%	High	Moderate
PSU Bonds (Taxable)	6.22% - 11.68%	Low to Moderate	Moderate

Data for week ended March 28, 2003.

(Source: The Economic Times dated March 31, 2003)

## **Investment Process & Recording of Investment Decisions**

The investment decisions are made on a daily basis keeping in view the market conditions, investment objective of the scheme and all the relevant aspects. The AMC will review all the investments made by the Scheme. The investment decisions of the scheme will be carried out by the designated Fund Manager. All investment decisions shall be recorded in terms of SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 or as may be revised by SEBI from time to time.

## **Review by Board of AMC and Trustees**

A detailed review of the Scheme will be placed before the Board of Directors of AMC and the Trustee Company on a periodical basis, but at least on quarterly basis. The review will contain information about the inflow in the scheme, outflow from the scheme and performance of the Scheme. The Fund will adopt Crisil Liquid Fund Index (LiquifEX) as the benchmark for the Scheme. The Board of AMC and Trustee will review the performance of the Scheme in comparison to the benchmark. The Trustee reserve the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with the investment objective of the Scheme and suitability of the benchmark subject to SEBI Regulations, and other prevailing guidelines, if any.

## **Depository**

Securities of the Scheme will mostly be held in dematerialized form but in certain circumstances it may be held in physical form. In case the securities are held in dematerialized mode, the rules of SEBI (Depositories and Participant) Regulations, 1996 would apply. The service charges payable to the depository participant will form part of annual recurring expenses.

## **Underwriting**

The Scheme will not accept underwriting and sub underwriting obligations.

## **Investments in Derivative Instruments**

As part of the Fund Management process, the Fund may use derivative and hedging products from time to time, as would be permitted by SEBI, in an attempt to protect the value of the Portfolio and enhance 'Unit holders' interest. The Scheme may enter into forward contracts, future contracts or buy or sell options or any other derivative instruments that are permissible or may be permissible in future under applicable regulations and such investments shall be in accordance with the investment objective of the Scheme.

The provisions of SEBI Circular No. MFD/CIR/011/061/2000 dated February 1, 2000 will be complied with. The relevant provisions are:

Scheme may write (sell) and purchase call and put options in government securities in which it invests and on government securities indices based on government securities in which the scheme invests. Through the purchase and sale of futures contracts and related options on those contracts the Fund would seek to hedge against a decline in government securities owned by the Fund or an increase in the prices of government securities, which the Fund plans to purchase. The Fund would sell futures contracts on government securities indices in anticipation of a fall in government securities prices, to offset a decline in the value of its government securities portfolio. When this type of hedging is successful, the futures contract increase in value while the Fund's investment portfolio declines in value and thereby keep the Fund's net asset value from declining as much as it otherwise would. Similarly, when the Fund is not fully invested, and an increase in the price of government securities is expected, the Fund would purchase futures contracts to gain rapid market exposure that may partially or entirely offset increase in the cost of the government securities it intends to purchase. An interest rate swap agreement (as per guidelines issued by RBI on July 7, 1999 and November 1, 1999) from fixed rate to floating rate will be an effective hedge for portfolio in a rising interest rate environment.

Presently futures and options in Government Securities are not permitted and such products would be taken up only as and when introduced by RBI and specifically permitted for Mutual Funds.

## **Interest Rate Swaps (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while other receives a floating (variable) rate of interest.

## **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

**Example:** An example of a derivatives transaction (an interest rate swap) is given below.

## Basic Structure of a Swap

X has a 6 month Rs. 5 crore liability which is currently being deployed in overnight "call" money markets. Y has a Rs. 5 crore 6 month asset which is being funded through call. Both X and Y are running an interest rate risk. To hedge this interest rate risk, they can enter into a 6 month MIBOR (Mumbai Inter Bank Offered Rate) swap. Through this swap X will receive a fixed pre-agreed rate (say 12%) and pay NSE MIBOR ("the benchmark rate"). His paying at "call" on the benchmark rate will neutralize the interest rate risk of lending in call. Y will pay 12% and receive interest at the benchmark rate. His receiving of interest on the benchmark rate will neutralize his interest rate risk arising from his call borrowing.

The mechanism is as follows:

Assume the swap is for Rs.5 crore 1 March 2001 to 1 September 2001. X is a fixed rate receiver at 12% and Y is a floating rate receiver at the overnight compounded rate.

On 1 March 2001 X and Y will exchange only an agreement of having entered this swap. This documentation would be as per International Securities Dealers Association (ISDA).

On a daily basis, the benchmark rate fixed by NSE will be tracked by them.

On 1 September 2001 they will calculate the following:

X is entitled to receive interest on Rs.5 crore at 12% i.e. Rs.30.25 lakh, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate. Y is entitled to receive daily compounded call rate for 184 days and pay 12% fixed. On 1 September 2001, if the total interest on the daily overnight compounded benchmark rate is higher than Rs.30.25 lakhs, X will pay Y the difference. If the daily compounded benchmark rate is lower, then Y will pay the difference.

## Lending of Securities

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

The maximum exposure of the 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 portfolio of the scheme or upto such limits as may be specified by SEBI. The Scheme will not lend more than 75% of its corpus.

## Borrowing of Securities

If the Mutual Funds are permitted to borrow stocks, the scheme 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, the Scheme shall have powers to borrow up to a maximum of 20% of the net assets of the scheme as on the date of borrowing for a maximum duration of 6 months or as may be permitted by prevailing regulations. This borrowing shall be used only to meet repurchase/redemption of units or 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. The Mutual Fund may tie up with various banks / institutions for the above mentioned facility for which it may have to give a guarantee or the delivery of the securities held by it as collateral. Borrowing by the Fund on account of the Scheme will tend to increase the impact of investment gains and losses on the NAV of the Scheme.

## Portfolio Turnover

"Portfolio Turnover" is the term used by Mutual Fund for measuring the amount of trading that occurs in a Scheme's portfolio during the year and is defined as the aggregate of purchases and sales as a percentage of the corpus during a specified period of time.

The Scheme is an open-ended scheme. It is expected that there would be a number of subscriptions and repurchase on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

The AMC will endeavor to balance the increased cost on account of higher portfolio turnover with the benefits derived thereof. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be

representative of arbitrage opportunities that exist for scrips/securities held in the portfolio rather than an indication of a change in AMC's view on a scrip etc.

### **Investment by the Fund**

The Scheme may invest in another Plan / Scheme under the same AMC or any other Mutual Fund without charging any fees, provided that aggregate inter-Scheme investment made by all the Schemes under the same management or in Schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the Mutual Fund.

### **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.

### **Fundamental Attributes**

For this purpose, type of the scheme, Investment Objectives and terms of an issue constitute the fundamental attributes of the Scheme vide clarification issued by SEBI on February 4, 1998.

As per the regulations 18 (15A) of the SEBI Regulations, the Trustee shall ensure that no change in the fundamental attributes of any of the Scheme or the trust or the fees and expenses payable or any other change which would modify the Scheme and affect the interest of the 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 newspaper published in the language of 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 lot of units of the Scheme held.

### **Investment Restrictions**

Pursuant to the "SEBI Regulations", the following are some of the investment and other limitations as presently applicable to the Scheme. All the investments by the Scheme and the Mutual Fund, however, will always be within the investment restrictions as specified in SEBI (Mutual Fund) Regulations, 1996 as amended from time to time.

1. No term loans will be advanced by the Scheme.
2. The Scheme shall not invest more than 15% of its NAV in debt instruments issued by a single issuer, which are rated not below the investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the Scheme with the prior approval of Board of Trustee and AMC.

However such limit shall not be applicable to investments in government securities and money market instruments.

Provided that Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments as specified under Clause 1 and 1 A of Seventh Schedule to the Regulations.

3. Transfer of investments from one Scheme to another Scheme in the Mutual Fund shall be allowed only if:
  - a) Such transfers are done at the prevailing market price for quoted instruments on spot basis.
  - b) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
4. The Scheme may invest in another Scheme under the same Asset Management Company or any other Mutual Fund without charging any fees, provided that aggregate inter-Scheme investment made by all the Schemes under the same management or in Schemes under the management of any other Asset Management Company shall not exceed 5% of the net asset value of the mutual fund.
5. The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance.  
Provided the Mutual Fund shall enter into derivatives transactions in a recognized stock exchange for the purpose of hedging and portfolio balancing, in accordance with the guidelines issued by the Board.
6. The Scheme shall get the securities purchased transferred in the name of the Fund on account of the Scheme, wherever investments are intended to be of a long-term nature.
7. Pending deployment of funds of a scheme in securities in terms of investment objectives of the scheme, a Mutual Fund can invest the funds of the scheme in short-term deposits of scheduled commercial banks.

8. The Scheme shall not make any investment in:
  - a) Any unlisted security of an associate or group company of the sponsor; or
  - b) Any security issued by way of private placement by an associate or group company of the sponsor.
  - c) The listed securities of group companies of the sponsor which is in excess of 25% of the net assets.
9. The Mutual Fund may borrow to meet liquidity needs, for the purpose of repurchase, redemption of units or payment of interest or dividend to the unit-holders and such borrowing shall not exceed 20% of the net assets of the Scheme and duration of the borrowing shall not exceed 6 months. The Fund may borrow from permissible entities at prevailing market rates and may offer the assets of the Fund as collateral for such borrowing.
10. The Scheme will comply with any other Regulations applicable to the investments of Mutual Fund from time to time.

All investment of the scheme will be made in accordance with the SEBI Regulations, including Schedule VII thereof.

### **Purchase of Liquid BeES by the AMC**

The AMC may in the interest of unit-holders of the scheme may consider to buy the Liquid BeES from the market to enhance the value of Scheme as permitted under the SEBI (Mutual Funds) Regulations, 1996.

### **Investment by AMC**

The AMC may invest in the Scheme. The percentage of such investment to the total net asset value may vary from time to time and can be up to 100% of the net assets of the Scheme. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme in accordance with sub regulation 3 of regulation 24 of the Regulations and shall charge fees on such amounts in future only if the SEBI Regulations so permit.

**Initial issue opens on: July 1, 2003**

## **UNITS AND OFFER**

**Initial issue closes on: July 2, 2003**

### **Face Value**

The Liquid BeES being offered will have a face value of Rs.1000/- each and will be issued at par.

### **Allotment Price in IPO**

All applicants will receive full and firm allotment of Units, provided the applications are complete in all respects and are found to be in order. The Trustees retain the sole and absolute discretion to reject any application. The process of allotment of Units and mailing of account statements reflecting the allotments will be completed within 30 days from the date of closure of the initial Offer Period.

Allotment to NRIs/OCBs/FIIs will be subjected to RBI approval, is any, required.

### **Target Amount**

The minimum target amount to be raised during the Initial Offer Period is Rs.10,000,000 (1 Crore) Any over subscription will be retained by the fund in full. Subject to the application being in accordance with the terms of the offer, full and firm allotment will be made to the applicants.

### **Minimum Investment**

The minimum investment under the Scheme is Rs.1,00,000 and in multiples of Rs.1,000/- thereafter.

### **Maximum Investment**

There is no upper limit on the investment, which can be made by any applicant.

### **Extension or Termination of Initial Offer Period**

The Trustee reserves the right to extend the closing date, subject to condition that the subscription list shall not be kept open for more than 30 days. The Trustee reserves the right to close the subscription list earlier by giving at least one day's prior notice in one daily newspaper.

### **Dematerialization**

1. Liquid BeES will be available in Dematerialized (electronic) form.
2. The applicant under the Scheme will be required to have a beneficiary account with the Depository Participant of NSDL/CDSL and will be required to indicate in the application the DP's name, DP ID Number and the beneficiary account number of the applicant with the DP.
3. Liquid BeES will be issued/repurchased and traded compulsorily in dematerialized form.

## **Transfer**

1. As the units of the Scheme will be issued in demat (electronic) form, the units will be transferable in accordance with the provisions of SEBI (Depositories and Participants) Regulations, as may be amended from time to time.
2. Transfer would be only in favor of transferees who are capable of holding units. The Fund will not be bound to recognize any other transfer.
3. The delivery instructions for transfer of units will have to be lodged with the DP in requisite form as may be required from time to time and transfer will be effected in accordance with such rules/regulations as may be in force governing transfer of securities in dematerialized mode.

## **Listing**

After the Initial Public Offer, the units of the scheme will be listed on the Capital Market Segment of The National Stock Exchange of India Ltd. (NSEIL). The trading will be as per the normal settlement cycle. The AMC reserves the right to list the units of Scheme on any other recognized stock exchange.

## **Application Procedure**

### **Who Can Subscribe**

The following persons (subject, wherever relevant, to purchase of units being permitted under their respective constitution and relevant state regulations) are eligible to subscribe to units:

1. Resident Adult individuals, either singly or jointly (not exceeding three).
2. Parents/Lawful Guardian on behalf of minors.
3. Karta of Hindu Undivided Family (HUF).
4. Partnership Firms.
5. Companies/Domestic and Overseas Corporate Bodies/Societies/Association of Persons/Body of individuals/Clubs/Public Sector Undertakings registered in India if authorized and permitted to under applicable laws and regulations.
6. Charitable or Religious Trusts authorized to invest in units of Mutual Funds. (AMC will make necessary application to the appropriate government authority to declare the Liquid BeES as the Trust Security).
7. Banks (including co-operative Banks and Regional Rural Banks), Financial Institutions and Investment Institutions incorporated in or the Indian branches of banks incorporated outside India.
8. Non-Resident Indians, persons of Indian origin residing abroad (NRIs) on full repatriation basis and on non-repatriation basis.
9. Foreign institutional investors on full repatriation basis (subject to RBI approval)
10. Wakf Boards or endowments and Registered Societies (including registered co-operative societies) and private trusts authorized to invest in units.
11. An association of persons or body of individuals whether incorporated or not.
12. Army/Air Force/Navy/Para-military funds and other eligible institutions.
13. Scientific and/or industrial research organizations.
14. Multilateral Funding Agencies or Bodies Corporate incorporated outside India with the permission of Government of India / Reserve bank of India.
15. Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a mutual fund registered with SEBI and which arrangement is approved by Government of India.
16. Provident / Pension / Gratuity / Super-annuation and such other retirement and employee benefit and other similar funds.
17. Other Associations, Institutions, Bodies, Mutual Funds etc. authorized to invest in the units. Apart from the above, all other categories of investors permitted at present and in future are eligible to invest in the Scheme.

## **How To Subscribe**

### **Initial Offer**

1. Application Forms will be available at the collecting Bank branches, Stock Exchange Brokers, Distributors, at the corporate office of the AMC and the office of the Registrar.
2. Applications must be completed in block letters in English.
3. Signatures should be in English or in any Indian language.

Applications complete in all respects may be submitted before closure of Initial Offer Period at the designated branches of collecting bankers, Customer Service Centers, if any, at locations mentioned in the Application Form.

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

## Domestic Unit holders

### Mode of payment

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. Cheques/drafts must be drawn in favour of **“Benchmark Mutual Fund – Liquid BeES - IPO A/C”** and crossed Account Payee only.

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.

In case of a total investment of Rs.50,000/- and above, the investors should furnish Income Tax P.A.N. / G.I. R. Number and I.T. Circle address (if allotted).

Note: Returned cheques will not be presented again for collection and the accompanying application forms shall not be considered for allotment.

Stock-invests & Outstation Cheques are liable to be rejected. 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 during the Initial Offer Period. The Fund will not entertain any requests for refund of demand draft charges.

### 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 Trustee) nor the AMC will be liable for any delay/non receipt of refund, redemption/dividend payments.

It is mandatory for the Demat Account holder to furnish the Details of his Bank Account at the time of opening the Demat Account with Depository Participant. As the units of the Scheme will be in Demat form, the details of bank account furnished in the application form should be same as that furnished in Demat Account.

### Subscription by NRIs/OCBs/PIOs

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000 issued under the Foreign Exchange Management Act, the 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 Scheme which are approved by the SEBI to NRIs/PIOs/OCBs subject to conditions set out in the aforesaid notification. Further, general permission is also granted to send such units to NRIs/OCBs/PIOs to their place of residence or location as the case may be.

- a) **Repatriation basis** – The investment should be made by the eligible NRIs out of funds remitted from abroad in free foreign exchange through normal banking channels or out of balances held in their NRE/FCNR accounts maintained with authorized dealers in India. Payment may be made by means of Indian Rupees drafts purchased abroad or by cheque drawn on NR(External) Accounts / FCNR Accounts payable at par at Mumbai. Payments can also be made by means of drafts payable at Mumbai and purchased out of funds held in NR (External) Accounts/FCNR Accounts maintained with the banks authorized to deal in foreign exchange in India. Such applicants would have to subsequently arrange to provide a debit certificate from their bankers confirming that the amount has been paid by debiting a NRE / FCNR account
- b) **Non-Repatriation basis** – In case of NRIs/OCBs/PIOs seeking to apply on a non-repatriation basis, payment may be made by cheque/draft drawn out of NRO/NRNR account. The Funds may be provided by eligible non-resident investors by way of inward remittance or by debit to their NRE/FCNR/ NRO / NRSR Accounts maintained with authorized dealer in India. The payment procedure is as per (a) stated above.

All cheques/drafts should be made in favour of **“Benchmark Mutual Fund – Liquid BeES - IPO A/c”** 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.

Applications from OCBs should be accompanied with form OAC/OAC-1 (in the RBI prescribed format) from an Overseas Auditor/Chartered Accountant/Certified Public Accountant.

In case where the investment is made out of inward remittance or from funds held in NRE/FCNR/NRO Accounts of the investor, the maturity proceeds/repurchase price of units and/or dividend or income earned may be credited to NRO/NRSR Account (details of which should be furnished in the space for this purpose in the Application Form) of

the Non-Resident investor maintained with an authorized dealer in India. In cases where the investment is made out of NRSR account, the maturity proceeds and/or the dividend or income earned should be credited to NRSR accounts (details of which should be furnished in the space provided for this purpose in the Application Form) maintained by the investor with an authorized dealer in India.

Refunds, interest and other distribution (if any) and maturity proceeds/repurchase price and/or dividend or income earned (if any) will be payable in Indian Rupees only. The maturity proceeds/repurchase value of units issued on repatriation basis, dividend or income earned thereon, net of taxes (if any), may be credited to NRE/FCNR accounts (details of which should be furnished in the space provided for this purpose in the Application Form) of the Non-Resident Investor or remitted to the Non-Resident Investor. Such payment in Indian Rupees will be converted into US dollars or into any other currency, as may be permitted by the RBI, at the rate of exchange prevailing at the time of remittance and will be dispatched through the Registered Post at the Unit holders risk. The Fund will not be liable for any loss on account of exchange fluctuations, while converting the rupee amount into US dollars or any other currency. Credit of such proceeds to NRE/FCNR account to remittance thereof may be permitted by authorized dealer only on production of a certificate from the Fund that the investment was made out of inward remittance or from the funds held in NRE/FCNR account of the investor maintained with the authorized dealer in India. However there is no objection to credit of such proceeds to NRO/NRNR account of the investor if he so desires.

### **Subscriptions by FIIs**

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000 issued under the Foreign Exchange Management Act, the 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 the Scheme which are approved by the SEBI to FIIs and to make payments therefore.

FIIs may pay subscription amount by direct remittance from abroad or out of their special Non-Resident Rupee Accounts 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.

### **Rejection of Application and Refund of Application Moneys**

The Trustee reserves its right to reject any application not in accordance with the terms of the Fund without assigning any reason. In case an application is rejected, the application money received will be refunded to the applicant, within 6 weeks of the date of closing of the subscription list. No interest will be paid on application monies refunded. In the event of failure to refund the amounts within the period specified above, the AMC shall be liable to pay interest to the applicants at a rate of 15% per annum on the expiry of 6 weeks from the date of closure of the subscription list.

### **Joint Applications/holders**

If an account has more than one holder, the first named holder (as determined by the records of the Registrar) only 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.

For DP account held in joint names, the rules of Depository for operation of such DP accounts will be applicable. However, in all cases, the proceeds of redemption will be paid to the first named unit holders. All payments and settlements made to the first unit holder would constitute valid discharge by the fund.

### **Application under Power of Attorney**

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 duly notarized 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 the memorandum and articles of association and/or bye-laws must be lodged along with the application form or request for transfer/transmission and a separate set of all the documents be submitted to the Registrars.

### **Allotment**

During the initial offer period, the units shall be allotted within 30 days from the date of the closure of the initial offer and the same shall be deemed to be the date of allotment. Full and firm allotment is assured to every applicant if the application is received during business hours, the cheque/demand draft accompanying the application is realized and the application is complete in all respect and found in order.

Allotment of units under the Scheme would be at the discretion of the Trustee. The Trustee shall be entitled, at its absolute discretion, to reject any application.

Upon allotment, an Allotment Advice will be sent by ordinary post to each unit-holder, stating the number of units allotted, not later than 30 days from the close of Initial Offer Period.

Allotment of units and dispatch of Allotment Advice to FIIs will be subject to RBI approval.

### **Refunds**

In accordance with the Regulations, if the Scheme fails to collect the minimum target amount during the Initial Offer Period, the Fund shall be liable to refund the money to the applicants.

In addition to the above, refund of subscription money to applicants whose applications are invalid for any reason whatsoever will commence immediately after the allotment process is completed. Refunds will be completed within six weeks of the close of the Initial Offer Period. If the Fund refunds the amount after six weeks, interest @ 15% per annum shall be paid by the AMC. Refund orders will be marked "A/c Payee Only" and drawn in the name of the applicant in the case of sole applicant and in the name of the first applicant in all other cases. All refund cheques will be sent by Registered Post A.D.

As per the directive issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications for purchase or redemption of units. As units will be issued in Electronic mode, the Bank Account details furnished should be same as those provided in the beneficiary account of investor with the Depository Participant.

### **On the Exchange**

An investor can buy/sell units on a continuous basis in the normal market segment of the National Stock Exchange during the trading hours like any other publicly traded stock at prices which may be close to NAV of the Scheme. The price of Liquid BeES in the market will depend on demand and supply at that point of time. There is no minimum investment, although units are purchased in round lots of 1.

### **Price of Liquid BeES**

Investors can purchase Liquid BeES at market prices, which may be above or below their actual NAV of the Scheme depending upon supply and demand of the Liquid BeES at that point of time.

### **Entry/Exit Load**

There will be no entry/exit load on Liquid BeES bought or sold through the secondary market on the NSE. However, an investor would be paying cost in the form of a bid and ask spread and brokerage, as charged by his broker, for buying/ selling Liquid BeES.

In case, there are no quotes on NSE for five trading days consecutively, an investor can sell directly to the fund with an exit load of 2% of NAV. The payout of such redemptions will be within 3 working days from the date of submission of redemption request.

### **Settlement of Purchase/Sale of Liquid BeES on NSE**

Buying/Selling of units of the Scheme on NSE is just like buying/selling any other normal listed security. If an investor has bought units, an investor has to pay the purchase amount to the broker/sub-broker such that the amount paid is realised before the funds pay-in day of settlement cycle on the NSE. If an investor has sold units, an investor has to deliver units to the broker/sub-broker before the securities pay-in day of the settlement cycle on the NSE. The units (in case of units bought) and the funds (in case of units sold) are paid out to the broker on the pay-out day of settlement cycle on the NSE. The NSE regulations stipulate that the trading member should pay money or units to the investor within 48 hours of the pay-out.

If an investor has bought units, he should give standing instructions for 'Delivery-In' to his/her DP for accepting units in his/her beneficiary account. An investor should give the details of his/her beneficiary account and the DP-ID of his/her DP to his/her trading member. The trading member will transfer the units directly to his/her beneficiary account on receipt of the same from NSE's Clearing Corporation.

An investor who has sold units should instruct his/her Depository Participant (DP) to give 'Delivery Out' instructions to transfer the units from his/her beneficiary account to the Pool Account of his/her trading member through whom he/she have sold the units. The details of the Pool A/C (CM-BP-ID) of his/her trading member to which the units are to be transferred, unit quantity etc. should be mentioned in the Delivery Out instructions given by him/her to the DP. The instructions should be given well before the prescribed securities pay-in day. SEBI has advised that the Delivery Out instructions should be given at least 24 hours prior to the cut-off time for the prescribed securities pay-in to avoid any rejection of instructions due to data entry errors, network problems etc.

### **Daily Dividend and Reinvestment**

The Fund will endeavour to declare dividend on a daily basis so as to maintain the NAV of the Units of the Scheme at its face value of Rs.1,000/-. The Fund will declare Dividend only if the NAV of the Scheme is above its face value and Dividend declaration will be solely at the discretion of the Fund/AMC. Dividend declared on daily basis will be compulsorily reinvested in the Scheme and units arising out of dividend reinvestment will be credited to the account

## **INVESTING ON AN ONGOING BASIS**

## **DIVIDENDS**

of the investor with the DP. Dividend will accrue on Saturday and Sunday also. The Fund will send the statement/ advice to the unit holder once every quarter disclosing the amount of dividend declared on daily basis and the number of units arising out of dividend reinvestment.

The Trustees reserve the right to convert the Scheme from Daily Dividend and Compulsory reinvestment to Daily bonus after complying with SEBI (Mutual Funds) Regulations.

### Fractional Units

The Fund may allot fractional units during purchase of units in Minimum Unit Size (directly with the Fund) on an ongoing basis after the Initial Public Offer. Also reinvestment of dividend in the Scheme may result in the fractional units. The units will be allotted upto three decimals. The Fund will provide for buy back of fractional units once in year.

### ROLLING SETTLEMENT

As per the SEBI's circular dated March 4, 2003, the rolling settlement on T+2 basis for all trades will commence from April 1, 2003 onwards. The Pay-in and Pay-out of funds and the units will take place 2 working days after the trading date.

The pay-in and pay-out days for funds and securities are prescribed as per the Settlement Cycle. A typical Settlement Cycle of Rolling Settlement is given below:

Day	Activity
T	The day on which the transaction is executed by a trading member
T+1	Confirmation of all trades including custodial trades by 11.00 a.m.
T+1	Processing and downloading of obligation files to brokers /custodians by 1.30 p.m.
T+2	Pay-in of funds and securities by 11.00 a.m.
T+2	Pay out of funds and securities by 1.30 p.m.

While calculating the days from the Trading day (Day T), weekend days (i.e. Saturday and Sundays) and bank holidays are not taken into consideration.

### PURCHASE/ REDEMPTION OF UNITS DIRECTLY WITH THE FUND

The Investors can directly buy/sell Liquid BeES with the fund in Minimum Investment Size. Presently the Minimum Investment Size of Liquid BeES for Purchase/Redemption of Liquid BeES directly with the Fund is 2,500 units. The Trustee reserve the right to change/modify/alter the Minimum (Creation) Unit Size from time to time after complying with necessary Regulation and approvals.

### Applicable NAV

The Scheme will offer units for sale, repurchase in Minimum Unit Size of 2,500 units on every business day not later than 30 days after the close of the Initial Offer Period. The application to purchase, redeem units can be made on forms that should be submitted at the office of Asset Management Company.

The application for purchase of units shall be deemed to have been received on the day of submission itself, subject to it being complete in all respects, received prior to 10.00 a. m. at the registered office of the AMC and the Cheque deposited is cleared as a High Value Cheque. In such case, the units will be allotted at NAV as declared by the Fund at the close of previous business day, subject to entry load, if any.

For other application (other than high value cheque) for purchase of units, the Applicable NAV is the Net Assets Value per unit at the close of business day on which the application is received.

For redemption of Units, the applicant can submit the application for redemption at the office of AMC during the normal business hours. The applicable NAV for redemption shall be the NAV at the close of business day on which the application is submitted.

### Procedure for Purchasing Liquid BeES in Minimum Investment Size

The Application Form for purchase of units of the Scheme will be available at the office of the AMC, Registrar and Custodian. The application should be for minimum of 2,500 units of Liquid BeES.

If the applicant is giving high value cheque, the amount payable will be the Net Asset Value per unit of Liquid BeES as at the close of previous business day multiplied by the number of units applied for. After the cheque is cleared and application is found to be complete in all respects, the number of units applied for will be credited to the DP account of applicant within 3 working days from the date of clearance of the Funds. Units so allotted will be entitled to dividends, if any, declared by the fund from the date of allotment itself.

In other cases, the amount payable will be equal to the number of units applied for multiplied by face value per unit, i.e. Rs.1,000/- per unit. The units will be credited to the DP account of the applicant within 3 working days from the

date of clearance of funds. The number of units allotted will be equal to the amount paid towards application money divided by applicable NAV, subject to load, if any. The units will be allotted upto three decimals. Units so allotted will be entitled to dividend, if any, declared by the fund from the date of allotment itself.

The intimation will be sent to the applicant not later than 10 days from the date of application intimating the number of units allotted and credited to the beneficiary account of unit holder with the Depository Participant.

### **Procedure for Redeeming Liquid BeES in Minimum Investment Size**

The redemption request can be made in pre-printed redemption form. The unit-holder can submit the redemption request to the office of the AMC by sending redemption request and transferring the Liquid BeES to Redemption Demat Account of the Scheme. The redemption request should be accompanied by copy of the acknowledged instruction Slip submitted to the Depository Participant.

The applicable NAV for redemption of units of Liquid BeES is Net Assets Value per unit of Liquid BeES at the close of business day on which the application is received. The cheque towards redemption proceeds will be mailed to the investors within 3 working days from the date of redemption request.

### **Communication of NAV**

The NAV, sales and repurchase price of the Liquid BeES shall be communicated to at least two newspapers on a daily basis. The same will also be available on the website of the fund ([www.benchmarkfunds.com](http://www.benchmarkfunds.com)) and website of AMFI ([www.amfiindia.com](http://www.amfiindia.com)). The AMC will endeavor to make the same information available on other websites like website of National Stock Exchange of India Ltd.

### **Redemption by NRIs/OCBs/FIIs**

Credit balances in account of the NRI/OCB/FII will be subject to any procedures laid down by the RBI. Such redemption proceeds will be paid by means of a rupee cheque payable to the designated NRE/NRO account of the unitholder or by a US dollar (or any other currency) draft drawn at the exchange rates prevailing at that time and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unitholder and / or the Scheme by way of ongoing expenses.

Payment to NRI/OCB/FII unit holder will be subject to the relevant laws/guidelines of the Reserve Bank of India as are applicable from time to time (subject to deduction of tax at source as applicable).

- a. Wherever the investment is made on repatriation basis, the amount representing the dividend and redemption proceeds may be remitted through normal banking channel or credited to NRE/FCNR/NRO/NRNR account of the non-resident investor.
- b. Where the investment is made by remittance from abroad through normal banking channel or by debit to NRE/FCNR/NRO account of the non-resident investor on non-repatriation basis, the dividend and redemption proceeds may be credited to the NRO/NRNR account of the non-resident investor.
- c. Where the investment is made by debit to NRNR account of the non-resident investor, the dividend and redemption proceeds shall be credited to NRNR account of the non-resident investor.
- d. In case of FIIs, dividend and redemption proceeds will be paid by means of rupee cheque payable to the Special Non- Resident Rupee Account maintained with a designated bank.

The Fund will not be liable for any delays or for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

### **Suspension of Sale and Redemption of Units and Right to Limit Redemptions Right to limit Redemption**

The Trustee, in general interest of Unit holders of the Scheme offered under this Offer Document and keeping in view the unforeseen circumstances/unusual market conditions, may limit the total number of Units which can be redeemed on any Business Day.

Any Units, which by virtue of these limitations are not redeemed on a particular Business Day, will be carried forward for redemption to the next Business Day, in order of receipt. Redemptions so carried forward will be priced on the basis of the Applicable NAV (subject to the prevailing load) of the Business Day on which redemption is made. Under such circumstances, to the extent multiple redemption requests are received at the same time on a single Business Day, redemptions will be made on pro-rata basis, based on the size of each redemption request, the balance amount being carried forward for redemption to the next Business Day.

## Suspension of Sale and Redemption of Units

The Trustee may decide to temporarily suspend determination of NAV of the Scheme and consequently sale and redemption of Units, in any of the following events:

- a) When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Scheme are closed otherwise than for ordinary holidays.
- b) 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 assets of the Scheme is not reasonable or would not reasonably be practicable without being detrimental to the interests of the Unit holders.
- c) In the event of breakdown in the means of communication used for the valuation of investments of the Scheme without which the value of securities of the Scheme cannot be accurately calculated.
- d) During periods of extreme volatility of markets which in the opinion of the AMC are prejudicial to the interests of Unit-holders of the Scheme.
- e) In case of natural calamities, external aggression, internal disturbances, strikes, riots and bandhs.
- f) In the event of any force majeure or disaster that affects the normal functioning of the AMC or the Registrar.
- g) If so directed by SEBI.

In the above eventualities, the time limits indicated above, for processing of requests for purchase and redemption of units will not be applicable.

However, the suspension or restriction of repurchase/redemption facility under the scheme shall be made applicable only after the approval from Board of Directors of the Asset Management Company and Trustee Company. The approval from the AMC Board and the Trustee giving details of circumstances and justification for the proposed action will also be informed to SEBI in advance.

The Trustee reserves the right in its sole discretion to withdraw sale of units of the Scheme temporarily or indefinitely, if it is viewed that increasing the size further may prove detrimental to the existing unit-holders of the scheme. An order to purchase the units is not binding on and maybe rejected by the AMC until it has been confirmed in writing by the AMC and payment has been received for the same.

In the above eventualities, the time limits indicated above, for processing of requests for purchase and redemption of Units will not be applicable.

## PLEDGE OF UNITS

The members may pledge units of the Scheme in favor of banks/other financial institutions/non-banking financial companies as a security for raising loans.

As the units of the Scheme will be issued and held in Demat form, the rules of Depository applicable for pledge will be applicable for Pledge/Assignment of Liquid BeES.

Pledgor and Pledgee must have a beneficial account with the Depository. These accounts can be with the same DP or with different DPs. Pledgor will instruct its DP to create a pledge request by submitting a "Pledge Form" with a tick on "Create Pledge".

Pledgor will inform the pledgee about the creation of pledge request by giving a copy of the pledge report obtained from its DP.

Pledgee may instruct its DP to confirm the creation of pledge by submitting a "Pledge Form" with a tick on "Confirm creation of Pledge". The pledge gets created in favour of the pledgee only when the pledgee's DP confirms the creation of pledge in the system.

Pledge does not get created in the System until the Pledgee's DP confirms the pledge. Pledgee may obtain pledge report from its DP and verify creation of pledge.

After the loan is repaid, the pledgor will instruct its DP to close the pledge by submitting the "Pledge Form" with a tick on "Close Pledge". The pledgee will instruct its DP to confirm the closure of pledge by submitting the "Pledge Form" with a tick on "Confirm Closure of Pledge". The pledge is closed in the system on executing the instruction in the system by both the DPs. A pledgor's DP alone cannot close the pledge.

If the loan is not repaid, the pledgee, after giving notice to the pledgor as per the terms of the agreement, may instruct its DP to invoke the pledge by submitting the "Pledge Form" with a tick on "Invoke Pledge". On execution of this instruction, the securities are transferred into the pledgee's account. This does not require any confirmation from the pledgor.

The pledgor will continue to receive dividend on the pledged securities. The pledgee will get the benefits only if a pledge is invoked and on record date the shares are in the pledgee's account.

Pledge on the securities to be substituted must be created first. After this, the earlier pledge may be closed.

Since the units of the Scheme will be held in electronic form in the Depository (DP) Account of the unit-holders, the nomination details provided by the unit-holder to the depository will be applicable to the units of the Scheme. 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.

## **NOMINATION**

Nomination can be made only by the individuals holding beneficiary (DP) accounts either singly or jointly. Non-individuals including society, body corporate, partnership firms, karta of HUF, holder of power of attorney can not nominate. Only an individual including NRI can be a nominee. However nomination of NRI is subject to exchange control regulations in force from time to time. Society, trust, body corporate, partnership firm, Karta of HUF or Power of Attorney holder can not be appointed as a Nominee.

Minor can also be appointed as a nominee. However the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name and address and the photograph of the guardian must be submitted to DP. Only one nomination can be made for each depository account.

The nomination form duly filled in should be submitted to the Depository Participant (DP) either at the time of account opening or later. The account holder, nominee and two witness must sign the form and the name, address and photograph of the nominee must be submitted. If the nomination was not made at the time of account opening, it can be made subsequently by submitting the nomination form.

Nomination can be changed anytime by the account holder(s) by simply filling up the nomination once again and submitting it to the DP.

In case nomination has been made for DP 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 DP account, the securities would be transmitted to the account of legal heir(s), as may be determined by an order of the competent court. However in case where the value of securities to be transmitted is less than Rs.1,00,000/-, the DP may process the request based on the submissions of necessary letter of indemnity, surety, affidavits and NOC documents.

Liquid BeES being an open-ended scheme, the duration of scheme is perpetual. The AMC, the Fund and the Trustee reserve the right to make such changes/alterations in the Scheme (including the charging of fees and expenses) offered under this Offer Document to the extent permitted by applicable Regulations. However, in terms of the Regulations, a scheme may be wound up after repaying the amount due to the unit holders:

## **DURATION OF THE SCHEME/WINDING UP**

1. On the happening of any event, which in the opinion of the Trustee(s), requires the Scheme to be wound up; or
2. Seventy five percent (75%) of the Unit holders of the Scheme pass a resolution that the Scheme be wound up, or
3. If SEBI so directs in the interest of the Unit holders.

Where the scheme is so wound up, the Trustee 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.

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

1. Cease to carry on any business activities in respect of the Scheme so wound up;
2. Cease to create or cancel Units in the Scheme;
3. Cease to issue or redeem Units in the Scheme.

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations or such norms/guidelines as may be prescribed by SEBI from time to time. The broad valuation norms are detailed below. The norms indicated are based on the current Regulations and the circulars, guidelines /instructions issued by SEBI.

## **VALUATION POLICY AND DETERMINATION OF NET ASSET VALUE (NAV)**

### **Determination of Net Asset Value**

NAV of units under the Scheme will be computed by dividing the net assets of the Scheme by the number of Liquid BeES outstanding on the valuation date.

NAV per unit shall be calculated as follows:

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's investments Plus Current Assets} \\ \text{Minus Current Liabilities and Provision}}{\text{No. of Units outstanding under Scheme on the Valuation Date}}$$

The NAV will be calculated up to four decimals. The first NAV will be calculated and announced not later than 42 days after the close of the Initial Offer Period. Subsequently, the NAV shall be calculated and announced on a daily basis.

The valuation of Scheme's assets and calculation of Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

**TAXATION** The following tax benefits are available to investors and the Mutual Fund under present taxation laws. The information set forth below is based on the Mutual Fund's understanding of the Tax Laws as of this date of offer document.

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 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.

#### **TO THE MUTUAL FUND**

Benchmark Mutual Fund is a Mutual Fund registered with the Securities & Exchange Board of India (SEBI) and hence the entire income of the Fund will be exempt from the income tax in accordance with the provisions of Section 10(23D) of the Act. The Fund will not be required to pay any distribution tax on income distributed by it.

The Mutual Fund will receive all income without any deduction of tax at source under the proviso of section 196(iv) of the Act.

#### **TO THE UNITHOLDERS**

##### **Income Tax**

The Income Distribution/Dividend distributed by the Mutual Fund/Fund will be assessed as income in the hands of unit holder.

In case of Individual and Hindu Undivided Families, a deduction of Rs.12,000 from the Total Income will be admissible in respect of income from investments specified in Section 80-L, including income from units of Mutual Fund.

##### **Capital Gains Tax**

Repurchase of Liquid BeES by the Fund or sale of Liquid BeES on the Exchange may attract short or long term capital gain tax depending upon the holding period of the units.

##### **(a) Long Term**

Under Section 2(29A) of the Income Tax Act, 1961 a unit of a mutual fund is treated as long term capital asset if the same is held for more than 12 months.

##### **For Individuals and HUF, Partnerships Firm, Indian/Foreign Companies**

Long-term Capital Gains in respect of units held for a period of more than 12 months will be chargeable under Section 112 of the Income-tax Act, 1961, at a rate of 20% plus applicable surcharge. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer.

In the case of Individuals and HUFs, where taxable income as reduced by long term capital gains is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus surcharge, if any.

However where the tax payable on long-term capital gains exceeds 10%, as increased by applicable surcharge, of the amount of capital gains computed before indexation, such excess will be ignored for the purpose of computing tax payable by the assessee.

## Non-resident Indian

Under Section 115E of the Income-Tax Act, 1961, income by way of long-term capital gain is chargeable at the rate of 10% plus applicable surcharge. Such gains would be calculated without indexation of cost of acquisition.

## Foreign Institutional Investors

Under Section 115AD of the Income Tax, long-term capital on sale of units held for more than twelve months would be taxed at the rate of 10% plus applicable surcharge. Such gain would be calculated without indexation of cost of acquisition.

## For Overseas Financial Organizations/Foreign Institutional Investors/Overseas Corporate Bodies fulfilling conditions laid down under section 115AB (Offshore Fund)

Under section 115AB of the Income-Tax Act, 1961, long-term capital gains in respect of units purchased in foreign currency and held for a period of more than 12 months will be chargeable at the rate of 10% plus applicable surcharge. Such gains would be calculated without indexation of cost of acquisition.

### (b) Short Term

Under Section 2(42A) of the Act, a unit of a Mutual Fund is treated as short-term capital assets if the same is held for less than 12 months.

Short-term Capital Gains in respect of units held for a period of less than 12 months is added to the total income. Total income including short-term capital gain is chargeable to tax as per the relevant slab rates. The maximum tax rates applicable to different categories of assessee are as follows:

Resident individual & HUF	30% + surcharge
Partnership Firms & Indian Companies	35% + surcharge
Non-resident Indians	30% + surcharge
Foreign companies	40% + surcharge

Presently 5% of surcharge is applicable for all categories of assesses.

However sub-section 7 to section 94 of the I.T. Act, inserted by the Finance Act, 2001 provides that the short term capital loss arising from the transfer of units or securities by any person will be ignored to the extent of the amount of dividend or interest received from such securities in the computation of income chargeable to tax of such person if the following three conditions are fulfilled simultaneously:

- 1) The units or securities are purchased within three months prior to the record date.
- 2) The units or securities are transferred within three months after the record date.
- 3) The dividend or income received is exempt.

## Tax Deduction at Source

### Dividend

No tax will be deducted at source under the provisions of the Act, in respect of the following:

1. In case of payment of income to a resident unit holders, which in the aggregate during the financial year does not exceed the prescribed limit under the tax laws under a particular Scheme and in respect of each branch office of the Mutual Fund; or
2. When the assessing officer is satisfied and issues a certificate on an application of the unit-holder that the total income of the unit holder justifies no deduction of tax at source, as per the provisions of section 197(1) of the Act; or
3. When a resident unit holder (not being a company or a firm), submits a declaration as provided in Section 197A(1A) read with sub-section (1B) of the Act, in the prescribed form, and verified in a prescribed manner, to the effect that, the tax on his/her estimated total income of the previous year in which such income is to be included, in computing his/her total income will be nil.

In other cases, on distribution of income made on or after June 1, 2002, income-tax will be deducted at the rate of 10 plus applicable surcharge in case of resident payees (Section 194K of the Act) and @20% plus applicable surcharge in case of non-residents unit holders. (Section 196A of the Act).

Tax may be deducted at a lower rate if the unit-holder submits the copy of the certificate under section 197(1) of the I. T. Act, issued by the Assessing Officer on an application made by the Unit-holder.

1. No tax is required to be deducted at source on capital gains arising to any resident unit holder (under section 194K) vide circular no. 715 dated August 8, 1995 issued by Central Board of Direct Taxes (CBDT).

2. Under section 196D of the Act, in case of Foreign Institutional Investors, no deduction of tax shall be made from any income by way of capital gain, in respect of transfer of securities referred to in Section 115AD of the Act.
3. Under Section 195 of the Income Tax Act, 1961, tax shall be deducted at source in respect of capital gains as under

#### **On Capital Gains**

- a. in case of non resident other than a company -
  - Long Term Capital Gains 20% plus surcharge
  - Short Term Capital Gains 30% plus surcharge,
- b. in case of foreign company
  - Long Term Capital Gains 20% plus surcharge
  - Short Term Capital Gains 40% plus surcharge
- c. in case of Offshore Fund as defined in Section 115AB
  - Long Term Capital Gains 10% plus surcharge

As per CBDT circular No.728 dated October 30, 1995, in the case of a remittance to a country with which a Double Taxable Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA whichever is more beneficial to the assessee. In order for the Unit holders to obtain the benefit of a lower rate available under DTAA, the Unit holder will be required to provide the mutual fund with a certificate obtained from his assessing officer stating his eligibility for the lower rate.

#### **Wealth Tax**

As per Section 2(ea) of the Wealth Tax Act, 1957 units held under the mutual fund Schemes are not treated as assets within the meaning of Wealth Tax Act, 1957 and therefore, not liable to wealth tax.

#### **Gift tax (repealed)**

No gift tax is applicable, since Gift Tax Act, 1958 has been repealed.

### **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 subsidiaries. In future, however, Niche or any of its associates may be entrusted the work of marketing, book-building, distribution or any other activity connected with the Scheme or any other Scheme of Benchmark Mutual Fund, as may be allowed by SEBI or any other competent authority and within the relevant provisions of Regulations prevailing from time to time. Associate transactions, if carried out, will be as per the Regulations and the limits prescribed there under.

The AMC shall also ensure that brokerage/fee paid to sponsors/associates for sale and distribution of the units is at the same rates offered to other distributors. The associate transactions shall be in accordance with the regulations. The AMC will follow the disclosure requirement with respect to the brokerage and commission to sponsors and associates in the half-yearly and annual accounts of the Mutual Fund.

For applications directly solicited and collected by associate they may also be paid an agent commission at a rate not exceeding the rate of commission being paid to other agents of the Scheme. Commission paid to associate overseas for marketing the fund internationally shall be as per the Regulations and as approved by SEBI.

In case of applications directly solicited and collected by overseas from NRIs/OCBs/FIIs by any associates they may also be paid an agent commission at a rate not exceeding the rate of commission being paid to other agents for the Scheme, subject to terms & conditions detailed in RBI's approval.

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

- a) Any unlisted security of an associate or group company of the Sponsor; or
- b) Any security issued by way of private placement by an associate or group company of the Sponsor; or
- c) 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 Funds/Scheme (the existing Funds/Scheme, including Scheme as may be launched from time to time), only after the full disclosure of its intention to investment has been made in the offer document. The percentage of such investments will vary from time to time and may be up to 100%

of the NAV of the Scheme. However the AMC shall not charge any management fees on its own investment in the Units of the funds/Schemes in the Fund.

A unit-holders of the Scheme have a proportionate right in the beneficial ownership of the net assets of and the dividends/bonus declared by the Fund for the Scheme. Unit-holders are advised to refer to the relevant provisions of the Indian Trust Act, 1882, in this regard. Copies of certain relevant documents will be available for inspection at the office of the AMC at Mumbai. The following are the significant rights of unit-holders under the SEBI Regulations.

## INVESTOR RIGHTS & SERVICES

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of assets of the Scheme.
2. The Fund may declare dividend on a daily basis. The dividend will be compulsorily reinvested in the Scheme and units resulting from dividend reinvestment will be credited to the Beneficiary Account of unit holder with the Depository. The Fund will send statement/advice once every quarter within 10 days from the end of quarter disclosing the amount of dividend declared on daily basis and the number of units credited arising out of dividend reinvestment. during the quarter.
3. Under the normal circumstances, the redemption/repurchase proceeds will be mailed within maximum 10 working days of redemption/repurchase.
4. The Trustee is bound to make such disclosures to the unit-holders as are essential in order to keep them informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of AMC for the Scheme can be terminated, with the prior approval of SEBI, by 75% of the unit holders of the Scheme or by majority of the directors of Trustee. Any change in the controlling interest of the AMC shall be only with the prior approval of SEBI and the Trustee. Approval of unit-holders will not be necessary if: (i) the unit holders are informed about the proposed change by sending individual communication and an advertisement is given in one national English newspaper and one Marathi daily newspaper and (ii) the holders of units are given an option to exit at the prevailing Net Asset Value without any exit load regardless of lot of Liquid BeES held.
6. The Trustee is obliged to convene a meeting on a request of 75% of the unit holders of the respective scheme.
7. 75% of the Unit holders of the Scheme can pass a resolution to wind up the Scheme.
8. The Trustee shall obtain the consent of the unit-holders -
  - whenever required to do so by SEBI in the interest of the unit-holders; or
  - whenever required to do so on the requisition made by three-fourths of the holders of units of any scheme; or
  - when the majority of the Trustee decide to wind up or prematurely redeem the Units.
9. As per the regulations 18 (15A) of the SEBI Regulations, the Trustee shall ensure that no change in the fundamental attributes of any of the Scheme or the Trust or the fees and expenses payable or any other change which would modify the Scheme and affect the interest of the 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 newspaper published in the language of 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 lot of Liquid BeES held.

For this purpose, type of the Scheme, Investment Objectives and terms of an issue constitute the fundamental attributes of the Scheme vide clarification issued by SEBI on February 4, 1998.

10. Unit holders have the right to inspect all the documents listed under “Documents available for inspection.”

### Voting Right of the Unit Holders

Subject to the provisions of the 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. Each Unit Holder shall be entitled to one vote for each unit held by him in respect of each resolution to be passed.

All issues to be voted upon will be intimated to Unit holders by mail / courier. Unit holders of record as of the most recent month end prior to the month in which a request for a vote is sent, will 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 “anyone or survivor” 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 Transfer Agent and the Transfer 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 Share Transfer 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.

### **Information Dissemination**

The NAV of the Scheme will be calculated and announced by the AMC at the close of each business day.

The NAV, sale and repurchase price of the Scheme will be published in at least two daily newspaper on a daily basis in accordance with the SEBI Regulations. NAV will also be displayed on the website of the Fund ([www.benchmarkfunds.com](http://www.benchmarkfunds.com))

The NAV, sale and repurchase price of the Scheme will be updated on the website of the Association of Mutual Funds in India, ([www.amfiindia.com](http://www.amfiindia.com)) by 8.00 p.m. everyday. If the NAVs are not available before commencement of the business hours on the following day due to any reasons, the Fund shall issue a press release providing reasons and explaining when the Fund will be able to publish the NAV.

The Fund will send to all the unit holders, an abridged scheme wise annual report, not later than six months from the date of closure of relevant accounting year containing details as specified in SEBI Regulations. Further, the full text of the annual report will be available for inspection at the office of the Fund and copy shall be made available on specific request on payment of nominal fees, if any. Also the scheme wise annual report will be displayed on [www.benchmarkfunds.com](http://www.benchmarkfunds.com) and link will be provided on [www.amfiindia.com](http://www.amfiindia.com).

Before the expiry of one month from the close of each half-year, i.e. on March 31 and September 30, the Fund will publish its un-audited half yearly financial results in prescribed format as per SEBI Circular MFD/CIR1/200/2001 dated April 20, 2001 in one national English daily newspaper and one Marathi daily newspaper. The half-yearly financial results will be placed on [www.benchmarkfunds.com](http://www.benchmarkfunds.com) and link will be provided on [www.amfiindia.com](http://www.amfiindia.com).

The Fund will display the half-yearly un-audited results in the old format on its website, [www.benchmarkfunds.com](http://www.benchmarkfunds.com), before the expiry of two months from the close of each half-year. These results are not required to be published in the newspaper.

Before the expiry of one month from the close of each half year that is on 31/3 and 30/9, the Fund will publish its scheme portfolio in the prescribed format as per SEBI circular MFD/CIR/9/120/2000 dated November 24, 2000 in one national English daily newspaper and in a one Marathi daily newspaper or send a copy to all the unit-holders. The portfolio statement will also be placed on [www.benchmarkfunds.com](http://www.benchmarkfunds.com) and link will be provided on [www.amfiindia.com](http://www.amfiindia.com).

The Mutual Fund shall disclose large unit holding in the scheme, which are over 25% of the NAV. The information on the number of such investors and total unit holding by them in percentage terms will be disclosed in the allotment letters after the Initial Public Offer, account statements and also in the annual and the half-yearly results.

The annual report of the AMC will be displayed on the website of the Mutual Fund. Unit holders, if they so desire, may request for the copy of annual report of the AMC.

### **Register Of Unit holders**

A register of holders of the units shall be maintained electronically or in any other mode at the office of the Registrar and Transfer Agent and also at such other places as the AMC may decide and such register will be conclusive evidence of ownership. The register may be closed for such time and for such period as the AMC may determine. In

the event of closure of the register for a period or periods, appropriate notice shall be given by way of publication in newspaper(s) or other media. Requests for fresh/ongoing sales, repurchase, switching will not be accepted during the period the register is closed and no NAV would be determined/declared.

- In the event of death of a holder, any other person being entitled to the said units, upon recognition of the claim in such manner as the Asset Management Company may deem necessary, shall be registered as the holder of the units.
- When a DP account/Units are held in the joint names, such persons shall be deemed to hold the units jointly or any one or survivor basis.
- In all such cases and in all matters concerning the scheme (including voting rights), it shall be deemed that the first of such persons is the holder of the units. All communications and correspondence from/to the Fund shall be only with the first of such persons.
- All payments and settlements made to the first holder and a receipt thereof shall be a valid discharge.
- The Scheme shall for all purposes correspond only with the first holder and all communications shall be only with the first holder including information on the working of the scheme. Dispatch of dividend/redemption/refunds/Bonus/ Reinvestment Advice will be to and in the name of the first holder.
- In case of death of a joint holder, the survivor(s) shall be the only person(s) recognized by the scheme as having any title to or interest in the units.
- Where investment is made on a 'Joint' basis, redemption requests need to be signed by all the holders.

### 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. Praveen Ramarao Challa Venkata as Investor Relation Officer. He can be contacted at :-

#### Benchmark Asset Management Company Pvt. Ltd.

602, Maker Bhavan No.3, 21, New Marine Lines

Mumbai - 400 020.

Tel (91 22) 2200 3389.

Fax: (91 22) 2200 3412.

Email: praveen@benchmarkfunds.com

Cases of penalties awarded by SEBI under the SEBI Act or any of its regulations against the Sponsor of the Mutual Fund or any Company associated with the Sponsor in any capacity including the Asset Management Company, Trustee Company/Board of Trustees, or any of the Directors or key personnel (specifically the fund managers) of the Asset Management Company and Trustee Company. For sponsors and its associates, other than the penalties mentioned above, the penalties awarded by any financial regulatory body, including stock exchanges, for defaults, in respect of shareholders, debenture holders and depositors; penalties for any economic offence and violation of any securities laws shall be disclosed.	Nil
Any pending material litigation proceeding incidental to the business of the Mutual Fund to which the sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of its directors or key personnel is a party. Any pending criminal cases against the Sponsor or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the directors or key personnel.	Nil
Any deficiency in the system and operation of the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC or the Trustee Company which SEBI has specifically advised to be disclosed in the offer document, or which has been notified by any other regulatory agency, shall be disclosed.	Nil
Any inquiry/adjudication proceedings under the SEBI Act and the Regulations made there under, that are in progress against the Sponsor of the Mutual Fund or any Company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the Director or key personnel of the Asset Management Company.	Nil

### PENALTIES AND PENDING LITIGATIONS

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

**GENERAL INFORMATION Documents for Inspection**

- (a) Copies of the following documents will be available for inspection by the unit-holders of the scheme during working hours on working days at the office of Benchmark Asset Management Company Pvt. Ltd. 602, Maker Bhavan No.3, 21, New Marine Lines, Mumbai-400 020:
  - a. Memorandum & Articles of Association of Trustee Company and AMC.
  - b. Trust Deed.
  - c. Investment Management Agreement.
  - d. Mutual Fund Registration Certificate dated June 12, 2001 issued by the SEBI.
  - e. Custodian Agreement.
  - f. Securities and Exchange Board of India (Mutual Fund) Regulations, 1996.
  - g. Registrars' and Transfer Agents Agreement.
  - h. Consent of the Auditors to act in the said capacity.
  - i. Indian Trust Act, 1882.
  - j. Offer Document of the Scheme.
  - k. Annual Report of the Asset Management Company.
  - l. Annual Report of the Fund.
- (b) The Fund/AMC is not bound to represent any payment instruments, which are dishonoured, and in such cases, the facility to pay by cheque may not be available to the investor.
- (c) An entry made by AMC as to the date/time of receipt of an application for purchase/redemption of units will be conclusive and binding on the investor.
- (d) Investors are requested to read the terms of offer carefully. All applicants/investors (including their legal heirs, assigns, successors) will be bound by the terms of offer (including any modifications thereof). Payment will be made to the investor with reference to the data submitted in the application at the investor's risk. Such payments will constitute adequate discharge of the obligation of the Trust and AMC. Any act, thing or deed done in good faith in pursuance of or with reference to the information provided in the application or other communications received from the applicant/unit holder will constitute good and full discharge of the obligation of the Trust and the AMC. Investors must give the details of their bank accounts in the application forms and redemption requests. Applications without such details may be liable to be treated as incomplete.
- (e) All non-resident investors must submit necessary documents to the AMC (such as FIRC issued by the bank) and follow procedures as may be prescribed by RBI without which repatriation or credit to NRE Account will not be allowed. Payment of dividend and redemption amount to non-resident investors will be subject to the guidelines and policies of Reserve Bank of India from time to time.
- (f) Subject to the approval of SEBI/other authorities wherever necessary, the Trustee/AMC may, from time to time, for the purpose of ensuring proper operation/administration of the Scheme or for removal of difficulties therein or for giving effect to the provisions of the Scheme and in the interest of Unit holders of the Scheme, issue necessary clarifications, guidelines and procedures or prescribe rules/terms as also amend/delete them, consistent with the offer document which appear to them to be necessary, desirable or expedient.
- (g) The Trustee may from time to time vary any feature or term of the Scheme, after obtaining the approval of SEBI or investors to the extent and in the manner required under the Regulations and such variations shall be binding on Unit holders or any person claiming through them or their legal heirs/successors.
- (h) The procedure for seeking approval of the Unit holders will be in such manner as SEBI may direct or approve.
- (i) All disputes arising out of or in relation to the issue of the Scheme units will be subject to the exclusive jurisdiction of the courts in India or as advised by the SEBI.
- (j) The fund will have a first and paramount lien/set-off with respect to every unit/dividend for any money that may be owed by the Unit holder.

- (k) The Fund/Asset Management Company will not be responsible for any delay/non-receipt of dividend/redemption proceeds where it is attributable to any incorrect/incomplete information provided by the investor.
- (l) An application for redemption, purchase or exchange or any other instruction must be correct, complete, clear and unambiguous in all respects and should conform to the prescribed procedure/documentation requirements, failing which the Trustee/AMC reserve the right to reject the same.
- (m) All statements in this offer document are based on the laws currently in force and are subject to changes thereto. Subject to the Regulations authorising, any amendment/clarifications issued by SEBI from time to time for operation or management of mutual fund schemes shall apply.
- (n) Subject to the provisions herein contained, the Trustee and the AMC shall not be bound to receive notice of any trust, express, implied or constructive, nor shall they be bound to enter any such notice in respect of any units in the register except when so directed by a Court of Competent Jurisdiction.
- (o) There are no such instances of pending litigations, penalties, and criminal offences.
- (p) "Notwithstanding anything contained in the offer document the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable."

The Scheme has been approved by Trustee on January 29, 2003.

The Key Information Memorandum was approved by Trustee on March 28,2003.

**For and On Behalf of Board of Directors of  
Benchmark Asset Management Company Pvt. Ltd.  
(Investment Manager to Benchmark Mutual Fund)**

**Place: Mumbai  
Date: March 28, 2003**

**Sd/-  
SANJIV SHAH  
Executive Director**

## **SPONSOR**

### **Niche Financial Services Pvt. Ltd.**

511, Maker Bhavan No. 3,  
21, New Marine Lines,  
Mumbai – 400 020.  
Tel. : 022 - 2208 3445

## **ASSET MANAGEMENT COMPANY**

### **Benchmark Asset Management Company Pvt. Ltd.**

602, Maker Bhavan No. 3,  
21, New Marine Lines,  
Mumbai - 400 020.  
Tel. : 022 - 2200 3389  
Fax : 022 - 2200 3412

## **TRUSTEE**

### **Benchmark Trustee Company Pvt. Ltd.**

602, Maker Bhavan No.3  
21, New Marine Lines,  
Mumbai - 400 020.  
Tel. : 022 - 2200 3389  
Fax : 022 - 2200 3412

## **CUSTODIAN**

### **ABN Amro Bank NV**

71/72, Sakhar Bhavan,  
Nariman Point,  
Mumbai - 400 021.  
Tel. : 022 - 2281 2527/28

## **REGISTRARS AND TRANSFER AGENTS**

### **MCS Ltd.**

'Sri Padmavati Bhavan',  
Plot No 93, Road No 16,  
MIDC Area, Andheri (E),  
Mumbai - 400 093.

## **AUDITORS TO THE SCHEME**

### **N. M. Raiji & Co.**

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

***BENCHMARK***  
*MUTUAL FUND*