



## SHRIRAM MUTUAL FUND

Mookambika Complex, 3<sup>rd</sup> Floor, 4 Lady Desikachari Road, Mylapore, Chennai - 600 004.

(Investment Manager: Shriram Asset Management Company Limited)

CIN: L65991MH1994PLC079874

Registered Office: 1006, 10<sup>th</sup> Floor, Meadows, Sahar Plaza, Andheri Kurla Road, J.B. Nagar, Andheri (East), Mumbai - 400 059.

### NOTICE CUM ADDENDUM

#### NOTICE-CUM-ADDENDUM TO THE SCHEME INFORMATION DOCUMENT ('SID') / KEY INFORMATION MEMORANDUM ('KIM') OF SHRIRAM MULTICAP FUND ('THE SCHEME')

##### CHANGE IN FUNDAMENTAL ATTRIBUTES

NOTICE is hereby given to the unit holders of Shriram Multicap Fund, an open ended equity scheme investing across large cap, mid cap, small cap stocks, that the Board of Directors of Shriram Asset Management Company Limited ("the AMC") and the Board of Trustees of Shriram Multicap Fund ("the Trustees"), have approved the following changes which include changes to the fundamental attributes of Shriram Multicap Fund with effect from **January 31, 2021 ("Effective Date")**.

##### 1. CHANGE IN NAME, CATEGORY, UNIFORM TYPE & ASSET ALLOCATION PATTERN OF SCHEME

Particulars	Existing Features				New Features w.e.f. January 31, 2021			
Name of Scheme	Shriram Multicap Fund				Shriram Flexi Cap Fund			
Category of Scheme	Multi Cap Fund				Flexi Cap Fund			
Type of scheme (uniform description of scheme)	An open ended equity scheme investing across large cap, mid cap, small cap stocks				An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks			
Asset Allocation Pattern	Under normal circumstances, the anticipated asset allocation pattern of the Scheme would be as under:				Under normal circumstances, the anticipated asset allocation pattern of the Scheme would be as under:			
		Indicative Allocation		Risk Profile		Indicative Allocation		Risk Profile
		Minimum	Maximum			Minimum	Maximum	
	Equity, Equity related instruments including Derivatives*	65%	100%	Medium to High	Equity, Equity related instruments including Derivatives*	65%	100%	Medium to High
	Debt and Money Market Instruments*	0%	35%	Low	Debt and Money Market Instruments*	0%	35%	Low
	* including Derivative instruments.							

\* including Derivative instruments.

Investment in Derivatives- up to 50% of the net assets of the Scheme. Investment in derivatives shall be for hedging, portfolio balancing or any other purposes as maybe permitted by SEBI from time to time.

In terms of SEBI Circular no. SEBI/IMD/CIR/18/198647/2010 dated March 15, 2010; the mutual fund /AMC shall make investment out of the NFO proceeds only on or after the closure of the NFO period.

The cumulative gross exposure through equity, debt and derivative positions will not exceed 100% of the net assets of the Scheme. However, cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.

Investment & Disclosure in the derivatives will be in line with SEBI Circular no. Cir/IMD/DF/11/2010 dated August 18, 2010 & SEBI/HO/IMD/DF/2/CIR/P/2019/17 dated January 16, 2019.

The scheme will not invest in securitized debt.

The Scheme retains the flexibility to invest across all the securities in the Equity and Equity related instruments, Debt and Money Market Instruments.

The Scheme may also invest in units of debt and liquid mutual fund schemes. As per investment restrictions specified in the Seventh schedule of SEBI (Mutual Fund) Regulations, 1996, the Scheme may invest in other schemes of the Mutual Fund or any other mutual fund without charging any fees, provided the 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.

The Scheme can invest up to 50% of net assets in Foreign Securities. All investments in foreign securities shall adhere to SEBI circular SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007 and amendments thereto. Presently the AMC does not have approval to invest in foreign securities. It will take the necessary approvals from SEBI & RBI before commencing investments in foreign securities. A dedicated fund manager will be appointed to oversee investments in foreign securities prior to taking exposure in foreign securities.

Pending deployment of the funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI vide its circular nos: SEBI/IMD/CIR No. 1/ 91171 /07 dated April 16, 2007 & SEBI/HO/IMD/DF4/CIR/P/2019/093 dated August 16, 2019 read with Circular No: SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019 and such other guidelines as may be issued from time to time in this regard.

The Scheme may engage in Short selling of securities in accordance with the framework relating to Short Selling and securities lending and borrowing specified by SEBI.

The Scheme may also engage in Securities Lending wherein the Scheme shall not deploy more than 20% of its net assets in securities lending and not more than 5% of the net assets of the Scheme will be deployed in securities lending to any single counterparty.

The Scheme shall not invest more than 25% of its net assets of the Scheme in companies belonging to a particular sector as classified by AMFI. The limit shall not be applicable to investment in Bank CDs, Tri-Party Repo, Government Securities, Treasury Bills, short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks.

The Mutual Fund / AMC shall ensure that total exposure of debt schemes in a particular sector (excluding investments in Bank CDs, Tri-Party Repo, GSecs, T-Bills, short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 25% of the net assets of the scheme. For the purposes of sector exposure limits, AMFI sector classification of issuers would be considered.

Provided that the Scheme may have an additional exposure to financial services sector (over and above the sector limit of 25%) not exceeding 15% of the net assets of the Scheme by way of increase in exposure to Housing Finance Companies (HFCs). Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 25% of the net assets of the Scheme.

The total exposure of scheme in a Group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees.

For this purpose Group means a group as defined under Regulation 2(mm) of SEBI (Mutual Fund) Regulations, 1996 and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

**Changes in Investment Pattern:** Subject to the SEBI regulations, the asset allocation pattern indicated above may change from time to time, keeping in view the market conditions, market opportunities, applicable regulations and political and macroeconomic factors. Such changes in the investment pattern will be for short term and defensive considerations only and the intention being at all times to seek to protect the interests of the Unit holders. In case of any deviation, the asset allocation would be restored in line with the above mentioned asset allocation pattern within 30 days from the date of deviation. In case the same is not aligned to the above asset allocation pattern within 30 days, justification shall be provided to the Investment Committee and reasons for the same shall be recorded in writing. The Investment committee shall then decide on the course of action. However, at all times the portfolio will adhere to the overall investment objectives of the scheme. Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Scheme shall be effected only in accordance with the provisions of sub regulation (15A) of Regulation 18 of the MF Regulations

## 2. PROVISIONS FOR CREATION OF SEGREGATED PORTFOLIOS

It is proposed to include the provisions related to creation of segregated portfolios in the Scheme Information Document (SID) of Shriram Multicap Fund with effect from **January 31, 2021** ("Effective Date").

The detailed process followed for segregation of portfolios shall be specified in the SID and is captured below for the information of investors:

### SEGREGATION OF PORTFOLIO

#### Definitions

- 'Segregated portfolio' shall mean a portfolio, comprising of debt or money market instruments affected by a credit event, that has been segregated in a mutual fund scheme.
- 'Main portfolio' shall mean the scheme portfolio excluding the segregated portfolio.
- 'Total portfolio' shall mean the scheme portfolio including the securities affected by the credit event. For sake of clarity, total portfolio is Main Portfolio plus Segregated Portfolio

AMC may create segregated portfolio in a mutual fund scheme subject to the following:

- Segregated portfolio may be created, in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:
  - Downgrade of a debt or money market instrument to 'below investment grade', or
  - Subsequent downgrades of the said instruments from 'below investment grade', or
  - C similar such downgrades of a loan rating.
- In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events and implemented at the ISIN level.
- Creation of segregated portfolio shall be subject to guidelines specified by SEBI from time to time. Moreover, creation of segregated portfolio shall be optional and at the discretion of the Shriram Asset Management Company Limited (SAMCL/AMC).

Creation of segregated portfolio of unrated debt or money market instruments by mutual fund schemes of an issuer that does not have any outstanding rated debt or money market instruments, subject to the following:

- Segregated portfolio of such unrated debt or money market instruments may be created only in case of actual default of either the interest or principal amount.
- Asset Management Companies are required to inform AMFI immediately about the actual default by the issuer. Upon being informed about the default, AMFI shall immediately inform the same to all AMCs. Pursuant to dissemination of information by AMFI about actual default by the issuer, SAMCL may segregate the portfolio.

Portfolio of the scheme shall be segregated in accordance with requirements as prescribed by SEBI from time to time.

#### Process for creation of segregated portfolio

- AMC shall decide on creation of segregated portfolio on the day of credit event/receipt of information about actual default of unrated debt or money market instruments (credit event). Once AMC decides to segregate portfolio, following process shall be followed to implement the decision to segregate portfolio:
  - immediately issue a press release disclosing the intention to segregate such debt and money market instrument and its impact on the investors. The mutual fund should also disclose that the segregation shall be subject to Trustee approval. Additionally, the said press release shall be prominently disclosed on the website of SAMCL.
  - seek approval of Board of AMC and Board of Trustees of Shriram Mutual Fund prior to creation of the segregated portfolio.
  - ensure that till the time the AMC and Trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.

2) If the Trustee approval is received by SAMCL,

- Segregated portfolio shall be effective from the day of credit event
- SAMCL shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
- An e-mail or SMS should be sent to all unit holders of the concerned scheme.
- The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
- All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
- No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.

3) If the Trustees do not approve the proposal to segregate portfolio, AMC shall issue a press release immediately informing investors of the same and the scheme shall re-open for subscription and redemption.

#### Valuation and processing of subscriptions and redemptions

- Notwithstanding the decision to segregate the debt and money market instrument, the valuation as per the methodologies mentioned in the Valuation Policy should take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.
- All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
  - Upon trustees' approval to create a segregated portfolio
    - Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
    - Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
  - In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.

#### Disclosures

In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:

- A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.
- Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.
- The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
- The information regarding number of Segregated Portfolio created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-application Form, advertisement, AMC and AMFI websites, etc.
- The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, shall be disclosed as a footnote to the scheme performance.
- The disclosures at point 4 and 5 above regarding the segregated portfolio shall be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.
- The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

#### TER for the Segregated Portfolio

- No investment and advisory fees on the segregated portfolio shall be charged. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.
- The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
- The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as referred in Regulation 52(6) of SEBI (Mutual Funds) Regulations, 1996 as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the FTAMIL.
- The costs related to segregated portfolio shall in no case be charged to the main portfolio.

#### Monitoring by Trustees

In order to ensure timely recovery of investments of the segregated portfolio, trustees shall ensure that:

- The AMC puts in sincere efforts to recover the investments of the segregated portfolio.
- Upon recovery of money, whether partial or full, it shall be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio.
- An Action Taken Report (ATR) on the efforts made by the AMC to recover the investments of the segregated portfolio is placed in every trustee meeting till the investments are fully recovered/ written-off.
- The Trustees shall monitor the compliance of SEBI requirements and disclosure in this respect shall be made in half-yearly trustee reports filed with SEBI.

In order to avoid mis-use of segregated portfolio, the Trustees have ensured to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

#### RISKS ASSOCIATED WITH SEGREGATED PORTFOLIO

##### Liquidity risk

- Investor holding units of a segregated portfolio may not able to liquidate their holding till the recovery of dues from the issuer.
- Listing of units of segregated portfolio in a recognized stock exchange does not necessarily guarantee its liquidity. There may not be active trading of units in the stock market. Further trading price of units in the stock market may be significantly lower than the prevailing NAV.

##### Credit risk

- Security which is part of a segregated portfolio may not realize any value.

##### Illustration of Segregated Portfolio

Portfolio Date	: 30-November-2020
Downgrade Event Date	: 30-November-2020
Downgrade Security	: 8.00% A Ltd from A- to C
Valuation Marked Down	: 50%

##### Portfolio on the date of credit event

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
8.00% A Ltd*	CRISIL A-	NCD	25,000	49.552	12.39
7.80% B Ltd	CRISIL AAA	NCD	25,000	101.021	25.26
7.65% C Ltd	CRISIL AAA	NCD	21,000	100.022	21.00
8.10% D Ltd	CRISIL A-	NCD	30,000	99.548	29.86
Cash & Cash Equivalent					11.50
Net Assets (in lakhs)					100.01
Unit Capital (no. of units)					10,000
NAV per unit (INR)					1000.10

##### Main Portfolio as on 30th November 2020

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
7.80% B Ltd	CRISIL AAA	NCD	25,000	101.021	25.26
7.65% C Ltd	CRISIL AAA	NCD	21,000	100.022	21.00
8.10% D Ltd	CRISIL A-	NCD	30,000	99.548	29.86
Cash & Cash Equivalent					11.50
Net Assets (in lakhs)					87.62
Unit Capital (no. of units)					10,000
NAV per unit (INR)					876.20

##### Segregated Portfolio as on 30th November 2020

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
8.00% A Ltd*	CRISIL C	NCD	25,000	49.552	12.39
Net Assets (in lakhs)					12.39
Unit Capital (no. of units)					10,000
NAV per unit (INR)					123.90

\* Marked down by 50% on the date of credit event. Before marked down the security was valued at INR.99.105 per unit on the date of credit event i.e on 30th November, 2020, NCD of 8.00% A Ltd will be moved to a segregated portfolio.

##### Total Portfolio value after creation of segregated portfolio

Particulars	Main Portfolio	Segregated Portfolio	Total Value (INR lakhs)
Number of Units	10,000	10,000	-
NAV per unit	876.20	123.88	1000.10
Total Value (in INR lakhs)	87.62	12.39	100.01

All other terms and conditions under these sections in the existing Scheme Information Document (SID) of Shriram Multicap Fund which are not mentioned herein will remain unchanged. The aforesaid changes in scheme features constitute change in fundamental attributes of the aforesaid Scheme as referred to in Regulation 18 (15A) of the SEBI (Mutual Funds) Regulations, 1996.

Accordingly, Unit holders of Shriram Multicap Fund are requested to take note of the aforesaid proposed changes, and are hereby given an option to exit the investments made by them in Shriram Multicap Fund at the prevailing NAV without exit load, as per the process stated herein below, if they do not wish to stay invested in Shriram Multicap Fund pursuant to the above proposed changes.

The exit option will be available to all the Unit holders of the Shriram Multicap Fund \*\* as per the records of the Registrar as at the close of business hours on **December 31, 2020. The option to exit without exit load ("Exit Option") can be exercised from January 01, 2021 to January 30, 2021 (up to 3:00 p.m.) (both days inclusive) ("Exit Option Period")**. All redemption requests received after 3:00 p.m. on **January 30, 2021**, will be subject to load as per the provisions of the SID of Shriram Multicap Fund. The provisions in relation to prevailing NAV and cut-off timings for redemptions in the SID of Shriram Multicap Fund would be applicable to redemption requests received during the Exit Option Period. The redemption proceeds shall be dispatched to the Unit holders within 10 working days from the date of redemption.

**The offer to exit is merely an option and is not mandatory. If you have no objection to the proposed change in the fundamental attributes of Shriram Multicap Fund as stated above, no action needs to be taken by you.**

Please note that Unit holders who do not opt for redemption on or before **January 30, 2021** (up to 3:00 p.m.) shall be deemed to have consented to the aforesaid changes and shall continue to hold units in Shriram Multicap Fund. In case the Unit holders disagree with the aforesaid changes, they may redeem the units in Shriram Multicap Fund by exercising the Exit Option within the Exit Option Period.

\*\*It may be noted that the Exit Option is not available to investors whose units have been pledged, and Shriram Mutual Fund has been instructed to mark a lien on such units unless the release of the pledge/lien is obtained and appropriately communicated to the AMC/Registrar/Shriram Mutual Fund prior to submission of redemption requests.

**The existing unit holders of Shriram Multicap Fund are requested to note the following terms with regards to the aforesaid proposed changes:**

• **Investors who want to continue holding units in Shriram Multicap Fund:** No action needs to be taken in this regard.

• **Investors who wish to exit/redeem their investments from Shriram Multicap Fund:** To redeem, Unit holders may submit the Transaction Form [along with other requisite details as may be specified in the SID/Statement of Additional Information (SAI)] on any business day during the Exit Option Period to any of the Official Points of Acceptance of our Registrar/the AMC. The forms are available on the AMC's website [www.shriramamc.com](http://www.shriramamc.com) and also at any of the Official Points of Acceptance of our Registrar/the AMC. For the procedure for change / updation of bank details and change of address please refer to SID and SAI. **Unit holders who hold units of Shriram Multicap Fund in dematerialized form and wish to exit can submit the redemption request with his / her / its Depository Participant during the Exit Option Period.**

• **Unit holders who have pledged or encumbered their units under a lien:** Unit holders will not have the option to exit unless they procure an effective release of their lien/pledge/encumbrances prior to the submission of redemption/withdraw-out requests. Further, those unit holders who do not opt to exit during the exit option period may note that the lien/pledge/encumbrance will continue on Shriram Multicap Fund on the same terms.

• **Special products features / facilities:** Systematic Investment Plan (SIP)/Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP) etc. registered under Shriram Multicap Fund will remain applicable and continue as per the terms therein. However, if you intend to change /discontinue any of the above facilities kindly submit the request in the manner prescribed in the SID/SAI to the nearest Official Point of Acceptance of our Registrar/ the AMC prior to the Effective Date. Unit holders are requested to ensure that any change in address or bank mandate is updated in the AMC's/ Registrar's records before exercising the Exit Option (Unit holders holding units in dematerialized form may approach their Depository Participant for such changes). It may be further advised that all redemptions would be subject to the applicable tax laws. In view of the individual nature of tax consequences, Unit holders are notified to consult their professional tax advisors in the above regard. A separate communication in this regard would be sent to the Unit holders of Shriram Multicap Fund as on **December 31, 2020**. In case, the communication is not received, the Unit holders of Shriram Multicap Fund can contact the AMC/ Investor Service Centers of Registrar as per details provided on the AMC's website [www.shriramamc.com](http://www.shriramamc.com). In case you need any further clarifications, please contact our Customer Service Centers/ Investor Service Centers. It may be noted that necessary/ incidental changes in this regard shall be made in the SID and Key Information Memorandum (KIM) of Shriram Multicap Fund.

The SID and KIM of Shriram Multicap Fund will stand suitably modified to the extent mentioned above from the Effective Date. This addendum forms an integral part of the SID and KIM of Shriram Multicap Fund.

All other terms and conditions as mentioned in the SID and KIM of the scheme, read with the addenda issued from time to time, shall remain unchanged.

For **Shriram Asset Management Company Limited**  
(Investment Manager of Shriram Mutual Fund)

Date : December 30, 2020  
Place : Kolkata

For more information, please contact **Shriram Asset Management Co. Ltd.**, CK-6, 2<sup>nd</sup> Floor, Sector II, Salt Lake City, Kolkata - 700 091.  
Tel: 033 2337 3012 Fax: 033 2337 3014, [www.shriramamc.com](http://www.shriramamc.com)

**Mutual fund investments are subject to market risks, read all scheme related documents carefully.**