

NOTICE CUM ADDENDUM

NOTICE-CUM-ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (‘SID’) /
KEY INFORMATION MEMORANDUM (‘KIM’) OF SCHEMES OF SHRIRAM MUTUAL FUND

NOTICE IS HEREBY GIVEN THAT the following schemes will be undergoing certain changes in the key features as detailed in the table below. The changes, indicated as Fundamental Attribute Change (‘FAC’) in the below table will be considered as change in the fundamental attributes in line with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 (‘MF Regulations’). Accordingly, these proposed changes shall be carried out by implementing the process for change in the fundamental attributes of the Schemes.

- 1) **Name of the Schemes**
(i) Shriram Flexi Cap Fund
(ii) Shriram Hybrid Equity Fund
- 2) **Rationale for the changes:**
A. Rationale for introduction of “Covered Call Strategy” and
B. “Segregation of Portfolios”
Please refer to the Annexure for the details of points A and B mentioned above.
- 3) **The comparison between the existing features and the proposed features are as follows:**

Particulars	Name of the Scheme			
	Shriram Flexi Cap Fund		Shriram Hybrid Equity Fund	
	Existing Scheme Features	Proposed Scheme Features	Existing Scheme Features	Proposed Scheme Features
1. Name of the Scheme	Shriram Flexi Cap Fund	No change	Shriram Hybrid Equity Fund	Shriram Aggressive Hybrid Fund
2. Investment strategy*	Asset allocation between equities and debt is a critical function in an equity fund. The equity and debt portfolios of the Scheme would be managed as per the respective investment strategies detailed herein:- a. Optimally allocate assets between equity and debt within defined limits. Allocation of assets between Equity and Debt will need to be monitored and reviewed at regular intervals (at least quarterly) through an internal process. b. Actively manage the equity and debt portfolio to realize the scheme objective. Debt and equity exposures would be adequately diversified. Debt exposures would be actively managed from both credit and interest rate risk (no duration constraints) perspectives with due consideration given to liquidity of investments. The scheme will invest in equity without any market capitalization or sector/style bias. c. The asset allocation in the fund is designed keeping in mind the necessity of providing consistent returns and maintaining a balance between debt and equity, with occasional alterations.	Asset allocation between equities and debt is a critical function in an equity fund. The equity and debt portfolios of the Scheme would be managed as per the respective investment strategies detailed herein:- a. Optimally allocate assets between equity and debt within defined limits. Allocation of assets between Equity and Debt will need to be monitored and reviewed at regular intervals (at least quarterly) through an internal process. b. Actively manage the equity and debt portfolio to realize the scheme objective. Debt and equity exposures would be adequately diversified. the portfolio is hedged with covered call strategy by writing call options of the underlying stocks. Debt exposures would be actively managed from both credit and interest rate risk (no duration constraints) perspectives with due consideration given to liquidity of investments. The scheme will invest in equity without any market capitalization or sector/style bias. c. The asset allocation in the fund is designed keeping in mind the necessity of providing consistent returns and maintaining a balance between debt and equity, with occasional alterations.	Asset allocation between equities and debt is a critical function in an equity fund. The equity and debt portfolios of the Scheme would be managed as per the respective investment strategies detailed herein:- a. Optimally allocate assets between equity and debt within defined limits. Allocation of assets between Equity and Debt will need to be monitored and reviewed at regular intervals (at least quarterly) through an internal process. b. Actively manage the equity and debt portfolio to realize the scheme objective. Debt and equity exposures would be adequately diversified. Debt exposures would be actively managed from both credit and interest rate risk (no duration constraints) perspectives with due consideration given to liquidity of investments. The scheme will invest in equity without any market capitalization or sector/style bias. c. The asset allocation in the fund is designed keeping in mind the necessity of providing consistent returns and maintaining a balance between debt and equity, with occasional alterations.	Asset allocation between equities and debt is a critical function in an equity fund. The equity and debt portfolios of the Scheme would be managed as per the respective investment strategies detailed herein:- a. Optimally allocate assets between equity and debt within defined limits. Allocation of assets between Equity and Debt will need to be monitored and reviewed at regular intervals (at least quarterly) through an internal process. b. Actively manage the equity and debt portfolio to realize the scheme objective. Debt and equity exposures would be adequately diversified. the portfolio is hedged with covered call strategy by writing call options of the underlying stocks. Debt exposures would be actively managed from both credit and interest rate risk (no duration constraints) perspectives with due consideration given to liquidity of investments. The scheme will invest in equity without any market capitalization or sector/style bias. c. The asset allocation in the fund is designed keeping in mind the necessity of providing consistent returns and maintaining a balance between debt and equity, with occasional alterations.
3. Segregated Portfolio*	Provisions pertaining to “Segregated Portfolio” are already present	No change	No	Yes

*Considered as Fundamental Attribute Change.
Note: All other features of the Scheme except those mentioned above will remain unchanged.

4. The Board of Directors of Shriram Asset Management Company Limited and the Board of Trustees of Shriram Mutual Fund, have approved the above proposed changes. Further, SEBI, vide email dated **June 22, 2023**, has communicated its no-objection for the proposed changes.
5. In line with regulatory requirements, for scheme where a change in fundamental attributes is being proposed, we are offering an exit window (“Exit Option”) to the Unit holders of 30 days from **July 03, 2023 to August 01, 2023 upto 3:00 p.m.** (both days inclusive) (“Exit Option Period”). These changes will be effective from **August 02, 2023** (“Effective Date”). During the Exit Option Period, unit holders not consenting to the change may either switch to any other scheme of Shriram Mutual Fund or redeem their investments at applicable Net Asset Value without payment of exit load subject to provisions of applicable cut-off time as stated in the Scheme Information Document of the relevant scheme. All transaction requests received on or after **August 02, 2023**, will be subject to applicable exit load (if any), as may be applicable to the respective Scheme mentioned above.
6. Redemption / Switch requests, if any, may be lodged at any of the Official Points of Acceptance of Shriram Mutual Fund.
7. The above information is also available on the website of Shriram Mutual Fund viz., www.shriramamc.in

1. Unit holders who have pledged / encumbered their units will not have the option to exit unless they submit a letter of release of their pledges / encumbrances prior to submitting their redemption / switch requests. In case of ELSS and Solution Oriented Schemes the exit option shall be subject to completion of applicable lock in period as specified in the SID.

2. Investors who have registered for Systematic Investment Plan (SIP) in the Scheme and who do not wish to continue their future investments must apply for cancellation / discontinuation of their SIP registrations.

3. The redemption warrant/cheque will be mailed or the amount of redemption will be credited to the unit holders bank account (as registered in the records of the Registrar) within 3 (three) working days from the date of receipt of redemption request.

4. **It may be noted that the offer to exit is purely optional and not compulsory. If the Unit holder has no objection to the aforesaid change, no action is required to be taken and it would be deemed that such Unit holder has consented to the aforesaid change.**

5. Please note that unit holders who do not opt for redemption on or before **August 01, 2023 (upto 3:00 p.m.)** shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the scheme of Shriram Mutual Fund. In case the unit holders disagree with the aforesaid changes, they may redeem all or part of the units in the respective scheme(s) of Shriram Mutual Fund by exercising the Exit Option, without exit load within the Exit Option Period by submitting a redemption request online or through a physical application form at any official point of acceptance/investor service center of the AMC or to the depository participant (DP) (in case of units held in Demat mode). Unit holders can also submit the normal redemption form for this purpose

6. The option to redeem the Units without exit load during the Exit Option Period can be exercised in the following manner:
(a) Unit holders can submit redemption request online or via duly completed physical application form at any official points of acceptance/investor service center of the AMC/the RTA or to the DP (in case of units held in Demat mode).
(b) The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the Scheme.
(c) 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 DP for such changes.

7. The expenses related to the proposed changes and other consequential changes as outlined above will not be charged to the unit holders of the Scheme of Shriram Mutual Fund.
8. **Tax Consequences:**
Redemption / switch-out of units from the Scheme may entail capital gain/loss in the hands of the unitholder. For unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of Shriram Mutual Fund and Scheme Information Document of relevant scheme of Shriram Mutual Fund would be applicable. In case of NRI investors, TDS shall be deducted from the redemption proceeds in accordance with the prevailing income tax laws. In view of the individual nature of tax consequences, Unitholders are advised to consult their professional tax advisors for tax advice.
Unit holders who require any further information may contact: Shriram Asset Management Company Limited; Address: 511-512, Meadows, Sahar Plaza, J. B. Nagar Andheri (East), Mumbai – 400 059; Tel: 022-69473400, Email: info@shriramamc.in, Website: www.shriramamc.in

ANNEXURE

RATIONALE FOR INTRODUCTION OF “COVERED CALL STRATEGY” AND “SEGREGATION OF PORTFOLIOS” IN THE SCHEMES:

1. **Writing of call options under Covered Call strategy:** SEBI vide its circular dated August 18, 2010, has permitted Mutual Funds to invest in derivatives subject to making adequate disclosures. In partial modification to the aforesaid circular, SEBI vide its circular dated January 16, 2019, has permitted mutual fund schemes (except index funds and exchange traded funds) to write call options under covered call option strategy for constituent stocks of NIFTY 50 and BSE SENSEX, subject to certain investment restrictions.

A brief summary on call options and covered call strategy is given below for ease of understanding:

- i. Call Option: A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price.
- ii. Covered Call Option Strategy: Covered calls are options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream. This strategy is employed when the fund manager has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously takes a short position via covered call option strategy to generate income from the option premium.
2. **Introduction of provisions relating to creation of Segregated Portfolio**

In order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk, SEBI had vide its circular dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by mutual funds schemes.

In terms of SEBI Circular dated November 7, 2019, the provisions pertaining to segregation are required to be included in all new scheme information documents. Accordingly, in the same line and considering the benefits of segregation of portfolio it is advisable to include such provisions while undertaking any fundamental attribute changes to the existing schemes as well.

In view of the above, the AMC proposes to introduce relevant provisions in the scheme information document (SID) which would enable the Scheme to create segregated portfolio in case of credit event subject to compliance with regulatory requirements. The SID and Key Information Memorandum (KIM) will suitably be modified to include the aforesaid provisions and other disclosures as required in this regard.

3. **The details to be added in the SID/KIM of the Scheme are as follows:**

(A). COVERED CALL STRATEGY:

- i. **Updates to be incorporated in the Risk Factors of the SID:**
■ Risks for Writing Covered Call Options for Equity Shares

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream. The Scheme may write call options under covered call strategy, as permitted by the regulations.

Risks associated thereto are mentioned below:

- a. Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced by writing covered call options.
- b. The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity, or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.
- c. The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.
- d. The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options.

- ii. **Updates to be incorporated in the Investment Restrictions of the SID:**

- Investment Restrictions on writing call options:

Mutual Fund schemes (excluding ETFs and Index funds) can write Call options under a covered strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

- a. The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.
- b. The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
- c. At all points of time the Mutual Fund scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.
- d. In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities.
- e. In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.
- f. The premium received shall be within the requirements prescribed in terms of SEBI circular dated August 18, 2010 i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
- g. The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph 3 of SEBI Circular no. Cir/IMD/DF/11/2010, dated August 18, 2010.
- h. The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

- Under Derivatives Strategy:

Writing call options under Covered Call strategy:

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream. The Scheme may write call options under covered call strategy, as permitted by Regulations.

Benefits of using Covered Call strategy in Mutual Funds:

The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the Scheme. This strategy is also employed when the Fund Manager has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously takes a short position via covered call option strategy to generate income from the option premium. The strategy offers the following benefits:

- a. Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.
- b. Generating additional returns in the form of option premium in a range bound market. Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction.

Illustration - Covered Call strategy using stock call options:

Suppose, a fund manager buys equity stock of ABC Ltd. For Rs. 1000 and simultaneously sells a call option on the same stock at a strike price of Rs. 1100. The scheme earns a premium of say, Rs. 50. Here, the fund manager does not think that the stock price will exceed Rs. 1100.

Scenario 1: Stock price exceeds Rs. 1100

The call option will get exercised and the fund manager will sell the stock to settle his obligation on the call at Rs. 1100 (earning a return of 10% on the stock purchase price). Also, the scheme has earned a premium of Rs. 50 which reduced the purchase cost of the stock (Rs. 1000 – Rs. 50 = Rs. 950). Net Gain – Rs. 150

Scenario 2: Stock prices stays below Rs. 1100

The call option will not get exercised and will expire worthless. The premium earned on call option will generate alpha for the scheme. Net Gain – Rs. 50.

Risks for writing covered call options for equity shares:

- a. Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced by writing covered call options.
- b. The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity, or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.
- c. The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.
- d. The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options.

(B). SEGREGATION OF PORTFOLIOS:

In order to ensure fair treatment to all investors in case of a Credit Event and to deal with liquidity risk, SEBI vide its circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, as amended from time to time has allowed creation of Segregated Portfolio of debt and money market instruments by mutual fund schemes.

The AMC may create a segregated portfolio of debt and money market instruments in a mutual fund scheme in case of a credit event and to deal with liquidity risk.

In this regard, the term ‘segregated portfolio’ shall mean a portfolio comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme and the term ‘main portfolio’ shall mean the scheme portfolio excluding the segregated portfolio. The term ‘total portfolio’ shall mean the scheme portfolio including the securities affected by the credit event.

The AMC at its and discretion may create Segregated Portfolio in the Scheme, with the approval of the Trustees, subject to the following:

A segregated portfolio may be created in a mutual fund scheme 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:

- a. Downgrade of a debt or money market instrument to ‘below investment grade’, or
- b. 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 as detailed above and implemented at the ISIN level.

In terms of SEBI Circular November 7, 2019, segregated portfolio may be created 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. Such segregated portfolio can be created only in case of actual default of either the interest or principal amount.

Process for creation of Segregated Portfolio

1. The AMC shall decide on creation of segregated portfolio on the day of credit event, as per the process laid down below:

a. The AMC shall seek approval of Trustees, prior to creation of the segregated portfolio.

b. The AMC shall immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. It shall also be disclosed that the segregation shall be subject to trustee approval. Additionally, the said press release shall be prominently disclosed on the website of the AMC.

c. The AMC shall ensure that till the time the 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. Upon receipt of approval from Trustees:

a. The segregated portfolio shall be effective from the day of credit event

b. The AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.

c. An e-mail or SMS should be sent to all unit holders of the concerned scheme.

d. The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.

e. 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.

f. 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, the AMC shall issue a press release immediately informing investors of the same.

Valuation and processing of subscriptions and redemptions

1. Notwithstanding the decision to segregate the debt and money market instrument, the valuation shall 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.
2. 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:

a. Upon trustees’ approval to create a segregated portfolio

i. 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.

ii. Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.

b. 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.

SHRIRAM MUTUAL FUND

Shriram House, No. 4 Burkit Road, T. Nagar, Chennai - 600 017

Shriram Asset Management Company Limited (Investment Manager)

Registered Office: 217, 2nd Floor, Swastik Chambers, Near Junction of S.T. & C.S.T. Road, Chembur, Mumbai - 400 071. CIN: L65991MH1994PLC079874; Website: www.shriramamc.in

Periodic Disclosures:

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

- a. 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.
- b. 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.
- c. The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
- d. The information regarding number of segregated portfolios 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.
- e. 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.
- f. The disclosures at paragraph (d) and (e) 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.
- g. 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.

3. TER for the Segregated Portfolio

- a. AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a prorata basis only upon recovery of the investments in segregated portfolio.
- b. 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.
- c. 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 applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
- d. The costs related to segregated portfolio shall in no case be charged to the main portfolio.

Investors may also note that the process followed by the AMC/Trust regarding creation of segregated portfolios shall be in accordance with the provisions laid down by SEBI in this regard, from time to time.

Benefits and Features of Creation of Segregated Portfolio:

1. Creation of Segregated portfolio helps ensuring fair treatment to all investors in case of a credit event and helps in managing liquidity risk during such events;
2. 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;
3. Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV;
4. 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;
5. 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; and
6. 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.

Numerical illustration explaining how Segregated Portfolios will work

Total Assets under Debt instrument: Rupees 10 Lakhs and Total 2 investors in the scheme:

	Units	Amount	Portfolio	Value
Investor A	30,000	3,75,000	DEBT A	5,00,000
Investor B	50,000	6,25,000	DEBT B	3,00,000
			DEBT C	2,00,000
Total	80,000	10,00,000	TOTAL	10,00,000
NAV (FULL Portfolio): Rs 12.5				

Credit Event: Security DEBT B downgrades and value falls from 3,00,000 to 280,000 Post Segregation (Main Portfolio):

	Units	Amount	Portfolio	Value
Investor A	30,000	2,62,500	DEBT A	5,00,000
Investor B	50,000	4,37,500	DEBT C	2,00,000
TOTAL	80,000	7,00,000	TOTAL	7,00,000
NAV (Main Portfolio): Rs 8.75				

Post Segregation (Segregated Portfolio)

	Units	Amount	Portfolio	Value
Investor A (units)	30,000	1,05,000	DEBT B	2,80,000
Investor B (units)	50,000	1,75,000		
TOTAL	80,000	2,80,000	TOTAL	2,80,000
NAV (Segregated Portfolio): Rs 3.50				

TOTAL

	Units	Main	Segregated Portfolio	Amount
Total Holding of Investor A	30,000	2,62,500	1,05,000	3,67,500
Total Holding of Investor B	50,000	4,37,500	1,75,000	6,12,500
TOTAL	80,000	7,00,000	2,80,000	9,80,000

Notes:

- Investors who invest / subscribe to the units of the Scheme post creation of segregated portfolio shall be allotted units in the Main Portfolio only.
- Investors redeeming their units post creation of segregated portfolio will get redemption proceeds based on NAV of main portfolio and will continue to hold units in Segregated portfolio.
- No redemption and / or subscription shall be allowed in the Segregated Portfolio.
- Units of Segregated portfolio shall be listed on a recognised stock exchange.

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 this circular and disclose in the half-yearly trustee reports filed with SEBI, the compliance in respect of every segregated portfolio created.

In order to avoid mis-use of segregated portfolio, trustees shall ensure 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.

Risk factors associated with creation of Segregated Portfolios

- Liquidity risk – A segregated portfolio is created when a credit event occurs at an issuer level in the scheme. This may reduce the liquidity of the security issued by the said issuer, as demand for this security may reduce. This is also further accentuated by the lack of secondary market liquidity for corporate papers in India. As per SEBI norms, the scheme is to be closed for redemption and subscriptions until the segregated portfolio is created, running the risk of investors being unable to redeem their investments. However, it may be noted that, the proposed segregated portfolio is required to be formed within one day from the occurrence of the credit event.

Investors may note that 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 list the units of the segregated portfolio on a recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests. For the units listed on the exchange, it is possible that the market price at which the units are traded may be at a discount to the NAV of such Units. There is no assurance that a deep secondary market will develop for units of segregated portfolio listed on the stock exchange. This could limit the ability of the investors to resell them.
- Valuation risk - The valuation of the securities in the segregated portfolio is required to be carried out in line with the applicable SEBI guidelines. However, it may be difficult to ascertain the fair value of the securities due to absence of an active secondary market and difficulty to price in qualitative factors.

The SID and KIM 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 the above Schemes.

All other terms and conditions as mentioned in the SID and KIM of the above schemes, 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 : June 28, 2023
Place : Kolkata

Sd/-
Sneha Jaiswal
Compliance Officer

For more information, please contact Shriram Asset Management Company Limited, 511-512, Meadows, Sahar Plaza, J. B. Nagar, Andheri (East), Mumbai - 400 059. Tel: 022 6947 3400, Email: info@shriramamc.in, Website: www.shriramamc.in

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