Pramerica

DISCLOSURE DOCUMENT

This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.

The purpose of this Disclosure Document is to provide essential information about the portfolio management services in a manner to assist and enable the investors in making an informed decision for engaging Pramerica Asset Managers Private Limited as a Portfolio Manager.

This Disclosure Document contains necessary information about the Portfolio Manager required by an investor before investing. The investors / clients should carefully read the Disclosure Document prior to making a decision to avail of the portfolio management services and are advised to retain this document for future reference.

The Principal Officer of the Portfolio Management Services of Pramerica Asset Managers Private Limited is Mr. Ravi Kumar [Tel: +91 22 61593100, Email:- ravi.kumar@pramerica.com]

This Disclosure Document is dated July 15, 2015.

IMPORTANT DISCLOSURE

The Disclosure Document and its contents are for information only and do not constitute a distribution, an endorsement, an investment advice, an offer to buy or sell or subscribe or the solicitation of an offer to buy or sell or subscribe any product(s)/portfolio or strategy or any other securities or financial products/investment products mentioned in the Disclosure Document or an attempt to influence the opinion or behavior of the clients/prospective clients. Any use of the information / any investments and investment related decisions of the clients/prospective clients are at their sole discretion & risk and the Portfolio Manager shall not be responsible/liable for the same in any manner whatsoever, to any person/entity. The investments may not be suited to all categories of clients/prospective clients. As with any investment in any securities, the value of the portfolio under any product(s)/ portfolio or strategy can go up or down depending on the factors and forces affecting the capital market.

Clients/prospective clients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors for seeking independent legal, investment and tax advice as they believe necessary, before acting on any information in the Disclosure Document or any such other documents or before making any investments in such Product(s)/ Portfolio. Any use of the information contained in the Disclosure Document, any investments in the product(s)/portfolio and any investment related decisions pertaining to such product(s)/ portfolio of the clients/prospective clients are at their sole discretion & risk. There may be changes in the legal, tax and the regulatory regimes (including without limitation; political changes, government regulations, social instability, stock market fluctuations, diplomatic disputes, or other similar developments), which could adversely affect the client's//prospective clients' investments in the product(s)/ portfolio. Investments in the product(s)/ portfolio stand a risk of loss of capital and the clients//prospective clients should be aware that they may lose all or any part of their investments in such product(s)/portfolio.

Table of Contents

(1) DISCLAIMER CLAUSE: **4**
(2) DEFINITIONS: **4**
(3) DESCRIPTION:- **6**
A. History, Present Business and Background of the Portfolio Manager 6
B. Promoters of the Portfolio Manager, Directors and their background: 6
C. Top 10 Group Companies/Firms of the Portfolio Manager on turnover basis 9
D. Details of the Services being offered: 9
a. Discretionary Services: 10
b. Non - Discretionary Services: 10
c. Advisory Services: 10
(4) PENALTIES, PENDING LITIGATION OR PROCEEDINGS, ETC. **11**
(5) SERVICES OFFERED **11**
(6) RISK FACTORS **16**
(7) CLIENT REPRESENTATION **20**
(8) THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER **23**
(9) PORTFOLIO MANAGEMENT PERFORMANCE FOR THE LAST THREE YEARS **23**
(10) NATURE OF EXPENSES **24**
(11) TAXATION - TAX IMPLICATIONS FOR THE CLIENTS **25**
(12) ACCOUNTING POLICIES **34**
(13) INVESTORS SERVICES **36**
(14) MISCELLANEOUS PROVISIONS **36**

(1) DISCLAIMER CLAUSE:

This Disclosure Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 1993, and has been filed with the Securities Exchange Board of India ("SEBI").This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Disclosure Document. This Disclosure Document remains in effect until a 'material change' occurs. Material changes will be filed with Securities and Exchange Board of India ("SEBI") and notified to the investors, subject to the applicable Regulations.

(2) DEFINITIONS:

(i) "**Act**" means the Securities and Exchange Board of India Act, 1992 (15 of 1992) as amended from time to time.

(ii) "**Advisory Services**" shall mean the services, where the Portfolio Manager advises Clients on investments in general or gives specific advice required by the Clients and agreed upon in the PMS Agreement.

(iii) "**AMC**" means Pramerica Asset Managers Private Limited.

(iv) "**Agreement**" or **"Client Agreement" or "PMS Agreement"** means the agreement by whatever name called entered into between the Client and the Portfolio Manager for provision of Portfolio Management Services by the Portfolio Manager to the Client as provided for by regulation 14(1) of the Regulations, including any addendum thereto and shall be read in conjunction with the Application Form.

(v) "**AML Laws**" shall mean Prevention of Money Laundering Act, 2002, the Rules issued thereunder and the guidelines/circulars issued by SEBI thereto, as amended from time to time.

(vi) "**Assets" or "Assets of the Account"** shall mean the Securities and other investments and funds managed by the Portfolio Manager from time to time in terms of the Portfolio Management Services Agreement entered into with the Client.

(vii) "**Cash Account**" means the account in which the funds handed over by the client shall be held by the Portfolio Manager on behalf of the Client.

(viii) **"Client"** means any person, whether an individual or a non-individual, who enters into the Portfolio Management Services Agreement with the Portfolio Manager for availing of the Portfolio Management Services offered by the Portfolio Manager.

(ix) "**Custodian**" shall mean the custodian providing custodial services in accordance with the regulations issued by SEBI and appointed from time to time for safe keeping of the Assets of the Client.

(x) **"Depository"** shall mean Depository as defined in the Depositories Act, 1996 (22 of 1996).

(xi) **"Disclosure Document"** shall mean this disclosure document for the Portfolio Management Services.

(xii) "**Discretionary Portfolio Management Services**" shall mean portfolio management services where the Portfolio Manager exercises or may, under a contract relating to portfolio management exercise any degree of discretion as to the investments or management of the Portfolio of securities or the Funds of the Client, as the case may be.

(xiii) "**Discretionary Portfolio Manager**" shall mean a portfolio manager who provides Discretionary Portfolio Management Services.

(xiv) **"Financial year"** shall mean the year starting from 1st April of a year and ending on 31st March the following year.

(xv) **"Funds"** shall mean the moneys placed by the Client with the Portfolio Manager and any accretions thereto.

(xvi) "**Fund Manager**" means the individual/s appointed by the Portfolio Manager who manages, advises or directs or undertakes on behalf of the Client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be.

(xvii) **"Non Discretionary Portfolio Management Services"** shall mean portfolio management services other than Discretionary Portfolio Management Services and Investment Advisory Services, wherein Funds are managed in accordance with the directions of the Client.

(xviii) "**Non Discretionary Portfolio Manager**" means a portfolio manager providing Non Discretionary Portfolio Management Services.

(xix) "**Person directly or indirectly connected**" means any person being an associate, subsidiary, inter connected company or a company under the same management within the meaning of section 370(1B) of the Companies Act, 1956 or in the same group.

(xx) **"PMS" or "Portfolio Management Services"** means portfolio management services that are carried out by the Portfolio Manager in accordance with SEBI (Portfolio Managers) Regulations, 1993, whether in the nature of Discretionary Portfolio Management Services, Non Discretionary Portfolio Management Services or Investment Advisory Services, as the context may require.

(xxi) "**Portfolio**" shall mean all Funds and Securities of the Client that are managed by the Portfolio Manager on the Client's behalf as per the PMS Agreement.

(xxii) "**Portfolio Manager**" means Pramerica Asset Managers Private Limited, a company incorporated under the Companies Act, 1956, having its registered office at 2nd Floor, Nirlon House, Dr. A.B Road, Worli, Mumbai - 400 030, India and registered with SEBI to act as a portfolio manager under Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, vide registration no. vide Registration Code: INP000003864 dated September 16, 2010.

(xxiii) "**Principal Officer**" means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager.

(xxiv) **"PFI"** means Prudential Financial, Inc.

(xxv) "**Regulations**" means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 including any modification or amendment thereof.

(xxvi) "**SEBI**" means the Securities and Exchange Board of India

(xxvii) "**Securities**" means and includes, whether listed or unlisted, securities as defined under the Securities Contracts (Regulation) Act, 1956, as amended from time to time.

(xxviii) "**Securities lending**" means the securities lending as per the Securities Lending Scheme, 1997 specified by SEBI.

(xxix) **"Trustee"** means Pramerica Trustees Private Limited, trustees of Pramerica Mutual Fund.

Words and expressions used in this Disclosure Document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Portfolio Management Services.

(3) DESCRIPTION:-

A. History, Present Business and Background of the Portfolio Manager

Pramerica Asset Managers Private Limited ("**the Portfolio Manager**"/"**the AMC**"), is a private limited company incorporated under the Companies Act, 1956 on September 24, 2008,and having its Registered Office at 2nd Floor, Nirlon House, Dr. Annie Besant Road, Worli, Mumbai – 400 030. The AMC is registered with SEBI as a Portfolio Manager under Regulations vide Registration Code no. INP000003864 dated September 16, 2013.

The AMC has also been appointed as the asset management company of the Pramerica Mutual Fund by the Trustees of Pramerica Mutual Fund vide an Investment Management Agreement executed between the AMC and the Trustees of Pramerica Mutual Fund on July 30, 2009. (Pramerica Mutual Fund is registered with SEBI on May 13, 2010 under Registration Code MF/065/10/02).

Pramerica Mutual Fund manages assets over INR 1,700.48 Crores under management as on June 30, 2015.

The Portfolio Manager is a wholly owned 'step-down' subsidiary of Prudential Financial, Inc. (PFI), the sponsor of Pramerica Mutual Fund, through PGLH of Delaware, Inc. which is one of its wholly owned 'step-down' subsidiaries

The shareholding pattern of the Portfolio Manager is as follows:

Shareholder	**Type of holding**	**% of shareholding**
PGLH of Delaware, Inc.	Equity	Almost 100%
Pramerica Financial Asia Limited	Equity	Insignificant

B. Promoters of the Portfolio Manager, Directors and their background:

(a) <u>Promoter:</u>

Prudential Financial, Inc. (PFI), a company headquartered in Newark, NJ (USA), is the ultimate parent company of the Portfolio Manager. The Portfolio Manager is a wholly owned 'step-down' subsidiaries of PFI, through one of its wholly owned 'step-down' subsidiaries, namely, PGLH of Delaware, Inc. PFI is a publicly owned corporation listed on the New York Stock Exchange and is a holding company with its principal assets comprising of investments in its subsidiaries that are located worldwide and are engaged in the financial services sector. PFI is focused on helping individual and institutional customers grow and protect their wealth and offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management, and real estate services to its customers.

PFI and its affiliated companies constitute one of the world's leading financial services groups with approximately US $ 1.107 trillion of assets under management as of December 31, 2013 and with over 47,000 employees worldwide. PFI is headquartered in Newark, NJ (USA) and has more than 138 years of financial services experience with operations in the U.S., Asia, Europe, and Latin America. PFI is focused on helping individual and institutional customers grow and protect their wealth and offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management, and real estate services. The firm is ranked 3rd on Fortune Magazine's 2014 List of World's Most Admired Companies in the Insurance: Life and Health Category.

PFI is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom. "Pramerica" is a trade name used by PFI and its affiliated companies in select countries outside the USA.

(b) <u>Board of Directors and their background:</u>

The following table sets forth the current details regarding the Portfolio Manager's Board of Directors:

Name and Designation	Background
Mr. Ravi Kumar[1] (Director and Chief Executive Officer) **Age:** 45 years **Qualification:** M.B.A. (Kellogg School of Management, USA) & B.A. (Harvard University, USA)	Mr. Ravi Kumar is currently the Executive Director and Chief Executive Officer of Pramerica Asset Managers Private Limited. He was earlier the Chief Operating Officer of the Company for past 6 years. He has worked with Pramerica Financial for over eight years and has managed all stages of acquisitions, divestitures and Joint Ventures in financial institutions. He has also worked with ABN AMRO Inc., USA in Investment Banking, analyzing financial data related to Mergers and Acquisitions, Public Offerings, etc.
Mr. Richard Nicholas DiDio (Associate Director) **Age:** 52 years **Qualification:** Bachelor of Science in Economics from Wagner College, New York (USA).	Mr. Richard Didio is associated with Prudential Financial's International Investments division with Operations and Risk Management responsibilities. In this capacity, Mr. Didio provides risk management oversight to several Prudential's international businesses in Asia, Latin America and Europe, in addition to overseeing the operations and systems activities ensuring alignment with business strategy and market best practices. Mr. Didio joined Prudential in February 1997 to oversee the internal control

[1] [1] Mr. Vijai Mantri has resigned as the Managing Director & Chief Executive Officer and from the Board of Pramerica Asset Managers Private Limited with effect from the close of business hours of December 18, 2014. Further, Mr. Ravi Kumar has been appointed as Chief Executive Officer (CEO) of Pramerica Asset Managers Private Limited from the close of business hours of December 18, 2014.

	capabilities supporting Prudential's US asset management organizations and he was moved to Prudential's International Investments in May 2000 to provide operations and systems support of business development initiatives focused on establishing asset management and client servicing capabilities outside of the United States. Prior to Prudential includes, he was associated with JP Morgan Chase (formerly, Chase Manhattan Bank).
Mr. C.P. Philip (Independent Director) **Age:** 65 years **Qualification:** M. Sc., C.A.I.I.B. (Part I)	Mr. C.P. Philip is the former Executive Director of IDBI Bank Ltd., where he worked in various capacities for about 30 years. He has varied and wide experience in various areas of banking, both developmental and commercial. As Executive Director of IDBI Bank, he was responsible for the overall Risk Management & Audit. He was actively involved in putting in place the Basel II guidelines with regard to standardized approach. He headed various functions viz., Risk Management & Audit, Corporate Banking, Retail Banking, Branch & Centralised Operations, Human Resources & Training, Administration. He has had immense exposure to term lending, working in various capacities. Has handled many projects in infrastructure, manufacturing and services sectors.
Mr. G. Parthasarathy (Independent Director) **Age:** 74 years **Qualification:** B.E. (Electrical)	Mr. G. Parthasarathy was the Indian High Commissioner in Pakistan from 1998 till retiring from service in 2000. He was also the High Commissioner of India in Australia from 1995 to 1998 and High Commissioner of India in Cyprus from 1990 to 1992 and Ambassador of India to Myanmar from 1992 to 1995. He had served as the Information Adviser in the Prime Minister's Office with Prime Minister Rajiv Gandhi. He was closely involved in financial planning related to specific projects both in Ministry of External Affairs and in Indian Diplomatic Missions abroad. In the post liberalization period he was involved in a study abroad of the financial services field in Cyprus (1990-1992) and in Australia (1995-1998), which involved study of financial flows and investment practices to promote financial flows (FII and FDI) into India. He is currently an independent Director of Kanoria Industries, where he has been associated with financial planning in expansion of production capacities and in new projects and is also an Honorary Visiting Professor in the Centre for

	Policy Research in New Delhi; Member of the Executive Council of the Centre for Air Power Studies, New Delhi and also Member of the Editorial Board of the Indian Defense Journal.
Mr. Vijay Ranchan (Independent Director) **Age:** 71 years **Qualification:** M.A., IAS (retd)	Mr. Vijay Ranchan is a former IAS Officer, currently working as a Management Consultant. He was Addl. Chief Secretary in Govt. of Gujarat, handling Policy framing & Administration and held senior positions of Secretary/ Principal Secretary/ Additional Chief Secretary in the Departments of Revenue, Industry, Labour, Health etc. Mr. Ranchan was a Public Representative Director on the governing board/council of management of Ahmedabad Stock Exchange (2004 – 2007). He was the Commissioner of Commercial Taxes of Gujarat State (1997 -1999) and dealt with taxation issues. As the Head of various Departments in the Gujarat govt., he has extensively dealt with and handled budgetary and the financial matters. As the Secretary, Industries (1995) and Secretary - Energy and Petrochemicals (1999 -2001) in Govt. of Gujarat, he dealt with the Asian Development Bank on the restructuring of the Public System and the Public Sector. As the Managing Director of the corporations like Gujarat Mineral Development (two terms), Gujarat State Textile Corporation (two terms), Gujarat Industrial Development Corporation, he had the responsibility to extensively deal with finance, especially the project finance. He had also worked in short stints as Jt. Managing Director (1975) of Gujarat Industrial Investment Corporation. He also had the charge of Gujarat Municipal Finance Board, which assists in financing the infrastructure projects of municipalities. He is currently also director on the board of various companies.

C. Top 10 Group Companies/Firms of the Portfolio Manager on turnover basis

Based on the latest audited financial statements, the following are the group companies of the Portfolio Manager, based in India, are as follows:

1. Pramerica Trustees Private Limited (Trustees to Pramerica Mutual Fund)

D. Details of the Services being offered:

The Portfolio Manager offers Discretionary, Non Discretionary and Advisory Services, as follows:-

a. **<u>Discretionary Services:</u>**

Under the Discretionary Portfolio Management Services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client. The Portfolio Manager may make such changes in the investments and invest some or all of the Client's account in such manner and in such markets as it deems fit, subject to the investment objectives and other restrictions laid down in the Client Agreement and / or in this Disclosure Document. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or at any time thereafter except on the ground of fraud, malafide, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Regulations, Guidelines and Notifications in force from time to time.

The Securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The funds of each Client shall be managed individually and independently in accordance with the needs of each Client. Periodical statements in respect of the Clients' Assets under Management shall be sent to the respective Clients.

The Portfolio Manager may take investment advices from third party investment advisors. Such investment advises shall be non binding non exclusive in nature. The investment decision based on such investment advice shall rest with the Portfolio Manager and the Portfolio Manager shall be responsible for such investment decisions.

b. **<u>Non - Discretionary Services:</u>**

Under the Non-Discretionary Portfolio Management Services, the Assets of the Client are managed as per the requirements of the Client, in consultation with and based on the instructions of the Client. The Client has complete discretion to decide on the investment (including stock quantity and price (where possible) or amount). The Portfolio Manager *inter alia* manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client. The Portfolio Manager does not exercise any degree of discretion as to the investments or management of the Portfolio of securities or the funds of Client and shall solely act on instructions given by the Client.

c. **<u>Advisory Services:</u>**

Under the Advisory Portfolio Management Services, the Portfolio Manager provides only investment advice, whether general or specific or pertaining to a particular portfolio, on the basis agreed upon in the Client Agreement. Entry/exit timing, execution and settlement are solely the Client's responsibility. The Portfolio Manager may take investment advices from third party investment advisors. Such investment advises shall be non binding non exclusive in nature. The investment advices given based on such third party investment advice shall rest with the Portfolio Manager and the Portfolio Manager shall be responsible for such investment advices.

The abovementioned services are offered in terms of the Portfolio Management Services Agreement entered into between the Client and the Portfolio Manager. Fees for such services will be as is provided under the Client Agreement.

(4) PENALTIES, PENDING LITIGATION OR PROCEEDINGS, ETC.

The following are the disclosures pertaining to the penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority:-

i. All cases of penalties imposed on the Portfolio Manager by SEBI or the directions issued by SEBI under the Act or Rules or Regulations made thereunder:-

No penalties or direction have been imposed by SEBI under the SEBI Act or any of its rules or regulations against the Portfolio Manager in any capacity.

ii. The nature of the penalty /direction:-

Not Applicable

iii. Penalties imposed on the Portfolio Manager for any economic offence and/or for violation of any securities laws:-

No penalties are imposed on the Portfolio Manager for any economic offence or violation of any securities laws.

iv. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any:-

There are no pending material litigations or legal proceedings against the Portfolio Manager or key personnel.

v. Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency:-

None

vi. Any enquiry/adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder

None

The above information has been disclosed in good faith as per the information available with the Portfolio Manager.

(5) SERVICES OFFERED

A. The Present Investment Objectives and Policies:-

The primary objective is to generate returns and capital appreciation over a period of time from a portfolio of equity, debt, fixed-income securities etc. Under Discretionary Portfolio Management, the Portfolio Manager shall invest in securities as per his discretion based on the mandate/strategy, to achieve the investment objectives of the Client. However, no assurance or guarantee is given by the Portfolio Manager that the investment objectives will be achieved. Clients are not being offered any guaranteed or assured returns.

Consistent with the objective, strategy and subject to Regulations, the corpus will be Invested in any of (but not exclusively) the following securities:-

- Equity and equity related securities including convertible bonds (including equity linked debentures) and debentures and warrants carrying the right to obtain equity shares;
- Securities issued/guaranteed by the Central, State Governments and local governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills);
- Obligations of Banks (both public and private sector) and Development Financial Institutions like Coupon bearing Bonds, Zero Coupon Bonds;
- Money Market instruments permitted by SEBI/RBI including Certificate of Deposits (CDs) and Commercial Paper (CPs);
- Mutual Fund units, Fixed deposits, Bonds, debentures etc;
- Derivatives including but not limited to Futures, Options, Arbitrage etc in accordance with SEBI Regulations;
- Units of venture funds/Alternate Investment Funds;
- Securitisation instruments;
- Foreign securities as permissible by Regulations from time to time;
- Any other securities and instruments as permitted by the Regulations from time to time.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals and invest in derivatives, including transactions for the purpose of hedging and portfolio rebalancing, through a recognized stock exchange.

The Portfolio Manager may offer Discretionary, Non – Discretionary and Advisory Services, under different individual Client Agreements. Services offered by the Portfolio Manager will encompass the services that are required by Clients (including institutional and corporate Clients) for management of their funds, depending on their respective needs.

(i) Discretionary Portfolio Management Services:-

The investment objectives and/or strategies of the existing portfolio strategies are as follows:-

1. PRAMERICA DEEP VALUE PORTFOLIO/STRATEGY:

Investment objective: Pramerica Deep Value Strategy seeks to generate returns by investing in a portfolio of value stocks which have the potential of superior wealth creation over long term.

Investment strategy: Value Stocks represent companies with strong fundamentals which are undervalued by markets or are available at less than its intrinsic value. This strategy does not have a market cap bias. Primary Screening for the strategy will be based on projected cash flows from operations relative to the market value of assets. Within the shortlisted stocks, the strategy will seek to identify stocks which have the potential of high growth based on business projections, projected cash flows and asset price monetization strategies. Growth stocks typically trade at a higher PE multiple. However, within the shortlist, the strategy will seek to identify stocks which are available at a reasonable price when seen in light of projected cash flows and market value of assets. Since, markets usually take time to spot value, this strategy requires a longer holding period. Hence, this strategy is suitable for investors with investment horizon of at least 3 years.

2. PRAMERICA LEAD SECTOR PORTFOLIO/STRATEGY:

Investment objective: Pramerica Lead Sector Strategy seeks to outperform S&P Nifty Index by focusing on up to three sectors which exhibit the potential to outperform broader markets in the short to medium term.

Investment strategy: This strategy will seek to generate returns from a portfolio comprising of stocks from up to 3 sectors. Sector selection will be based on a strategic and macro view on markets with the objective of identifying sectors, which have the potential to outperform broader markets in the short to medium term. The strategy will build a portfolio of companies which, given the scale and size of operations and/or market capitalization, are representatives of their respective sectors. Additionally, as part of sector strategy, the portfolio may contain select mid cap companies which have potential of outperforming other stocks in the sector. Portfolio exposure will be limited to 3 sectors, except in times of sector transition. Maximum exposure to any sector (at the time of investment) shall be 50% of the portfolio value. Maximum exposure to any stock (at the time of investment) shall be 20% of the portfolio value. This portfolio may use cash for tactical & defensive considerations, if required**.**

3. PRAMERICA ALPHA EQUITY PORTFOLIO/STRATEGY:

Investment objective: Pramerica Alpha Equity Strategy seeks to outperform S&P Nifty Index by generating returns from long as well as short positions in equities, taking a directional view on individual exposures.

Investment strategy: This strategy will seek to generate returns from long as well short positions taking a directional view on individual exposures. This is not an absolute return strategy and will seek to capture volatility and trends. Typically, both long and short positions may be added to a portfolio in three ways:–

- **Small, toe-hold positions –** Positions may be initiated with small holdings of upto 2% of portfolio value, depending on the number of holdings and desired diversification. The size of initial positions depends upon factors such as timing (as it relates to the current price of the stock as well as macro and technical factors that may influence that price) and portfolio construction attributes. Typically, such small positions are initiated with the intention of building up as catalysts unfold

- **Midsized positions (larger than toe-hold, but not full position size) -** Positions smaller that the full target size may be added to a portfolio as part of a position build up

- **Maximum Position size** – These are usually positions which reflect the highest conviction with a potential near-term catalyst

Exposure will be predominantly to large cap stocks. This strategy will not leverage and the maximum exposure/open interest shall not exceed 100% of the portfolio. This portfolio may use cash for tactical & defensive considerations, if required.

4. **PRAMERICA CAPITAL PROTECTION STRATEGY:**

Investment Objective: Pramerica Capital Protection Strategy seeks to protect against erosion of capital through a proprietary model which allocates investment between Equity and Debt Mutual Fund Schemes.

Investment Strategy: This strategy will seek to protect investors against an erosion of their principal by investing an appropriate portion of this principal in debt mutual fund schemes. Such portion is determined by a proprietary algorithm which takes into account the current level of interest rates and the residual term of the strategy amongst other parameters. The residual amount is invested in equity mutual fund schemes to generate growth over the term of the strategy.

5. **PRAMERICA POWER VALUE STRATEGY:**

Investment Objective: Pramerica Power Value Strategy seeks to generate growth over the long term through a proprietary model which allocates investments between Equity and Debt Mutual Fund Schemes.

Investment Strategy: This strategy will seek to generate growth over the long term through a proprietary dynamic rebalancing model which changes the allocation to equity based on prevailing market valuations. Equity exposure is through equity mutual fund schemes and the residual amount is invested in debt mutual; fund schemes.

6. **PRAMERICA POWER MOMENTUM STRATEGY:**

Investment Objective: Pramerica Power Momentum Strategy seeks to generate growth over the long term through a proprietary stock selection model which selects stock on the basis of prevailing momentum.

Investment Strategy: This strategy will seek to generate growth over the long term through a proprietary stock selection model which selects stocks on the basis of prevailing momentum. Stock selection as well as the weight of the stock in the portfolio is determined based on the historical performance of the stocks and their current momentum indicators. Equity exposure is through direct investments in selected stocks while the residual amount, if any, is invested in debt mutual fund schemes.

7. **PRAMERICA POWER VALUE MOMENTUM STRATEGY:**

Investment Objective: Pramerica Power Value Momentum Strategy seeks to generate growth over the long term through a proprietary stock selection model which selects stock on the basis of prevailing momentum with equity allocation being determined by a proprietary dynamic asset reallocation model.

Investment Strategy: This strategy will seek to generate growth over the long term through a proprietary stock selection model which selects stock on the basis of prevailing momentum with equity allocation being determined by a proprietary dynamic asset reallocation model. The first step in the process is to determine the allocation to equities which is ascertained based on prevailing market valuations. The amount so allocated is invested in equity stocks selected on the basis of the historical performance and current momentum parameters of a universe of stocks. The residual, if any, is invested in debt mutual fund schemes.

8. **PRAMERICA L.I.F.E. (LONG-TERM INVESTMENT IN FILTERED EQUITIES) PORTFOLIO STRATEGY:**

   This strategy seeks to aim to build a portfolio of companies that one would buy and hold for a very long time (at least 10 years, if not more). The investment universe would be restricted to not more than 15 or 20 companies, since there would not be more than that number of companies that one would be confident of holding for such a long time. All companies in the portfolio would have strong balance sheets, a well-established position in their respective businesses, boast of strong management bandwidth at multiple levels, have a long track record of rewarding shareholders well, and the ability to grow without much equity dilution or significant levels of debt. They will not be in businesses classified as "cyclical". Investment opportunities will be few and far between.

9. **PRAMERICA DEBT STRATEGY:**

   Pramerica Debt Strategy seeks to provide reasonable returns, commensurate with moderate level of risk, through a portfolio constituted of all types of debt and money market instruments including, but not limited to, Commercial Paper, Certificates of Deposit, Treasury bills, Non - convertible Debentures, Bonds, Central and State government Securities, etc.

(ii) Non Discretionary Portfolio Management Services:-

Under the Non Discretionary Services, the Portfolio Manager will manage the Client's portfolio in accordance with the directions received from the Client and pursuant to Client's consent being received for each investment/transaction. The investment objectives and strategy will be in accordance with the general objectives described in this Disclosure Document and as per the specific objectives set out in each Client Agreement.

The existing portfolio strategies are as follows:-

1. **PRAMERICA DEBT STRATEGY:**

   Under Pramerica Debt Strategy the Portfolio Manager will manage a portfolio constituted of all types of debt and money market instruments including, but not limited to, Commercial Paper, Certificates of Deposit, Treasury bills, Non - convertible Debentures, Bonds, Central and State government Securities, etc., in accordance with the directions received from the Client

(iii) Advisory Services:-

The Client will be provided with general and specific investment advice and will be advised on buy/sell decisions within the overall risk profile and investment strategy for the Client, as set out in the Client Advisory Agreement. The Portfolio Manager will not have any back-office responsibility for trade execution, custody or accounting functions in relation to the Advisory Client's investments.

B. Policy on Investment in group/associate companies:-

The Portfolio Manager may invest in Securities of associate/group companies in the normal course of investment activity upto the maximum permissible limits, subject to the applicable laws/regulations and consistent with the particular investment objectives and strategies.

(6) RISK FACTORS

General:

1. The investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.

2. The Portfolio Manager has no previous experience / track record in providing portfolio management services, other than acting as an investment adviser and manager to Pramerica Mutual Fund, in its capacity as an asset management company to the mutual fund.

3. Performance of the promoter or the schemes of Pramerica Mutual Fund managed by the AMC have no bearing on the expected performance of the Portfolio Manager. Past performance of the sponsor and its affiliates, the AMC or the Mutual Fund does not indicate the future performance of the Portfolio Manager and may not necessarily provide a basis of comparison.

4. Securities investments are subject to market risks, company specific risks and other risks and there is no assurance or guarantee that the objectives of the investments as set out in this Disclosure Document and/or the Client Agreement will be achieved. The investment value of the Portfolio may increase or decrease depending on various markets forces and factors affecting stock markets. Investments in the Portfolio Management Strategies stand a risk of loss of capital and the Clients should be aware that they may lose all or any part of their investments.

5. The performance of the Portfolio may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.

6. Investment decisions made by the Portfolio Manager may not always be profitable. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager.

7. Investors are not being offered any guaranteed returns. The Portfolio Manager is neither responsible nor liable for any losses resulting from the Services or operations of the Clients' Portfolios.

8. The investment made by the Portfolio Manager is subject to risk arising out of non-diversification of the Portfolio in a wide variety of instruments, particularly in relation to Discretionary Portfolio Management Services where the Portfolio is managed at the discretion of the Portfolio Manager.

9. The investments and growth of the Portfolio are subject to a very wide range of risks which include loss in value of investments due to, *inter alia*:

(a) Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies (including changes in tax laws and rates), changes in government policies and regulations;

(b) Act of state, sovereign action, acts of God, acts of war, civil disturbance;

(c) Delisting or market closure, relatively small number of scrips accounting for a large proportion of trading volume.

10. The investments are also subject to liquidity risk in the market, settlement risk, impeding readjustment of portfolio composition, highly volatile stock markets in India. There is also risk of total loss of value of an asset or recovery of losses in investments only through expensive legal processes.

11. **Liquidity Risk**: Liquidity of investments in equity and equity related securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the Portfolio may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Even upon termination of the Agreement, the Client may receive illiquid securities and finding a buyer for such Securities may be difficult. Further, different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the scheme are un-invested and no return is earned thereon. The inability of the Portfolio Manager to make intended Securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities.

12. The Portfolio Manager may invest in the units issued by SEBI registered Venture Capital Fund (VCF)/Alternate Investment Funds (AIF). Many of such investments made by the VCF/AIF may be illiquid, and there can be no assurance that the VCF/AIF will be able to realize profits on its investments in a timely manner. Since the VCF/AIF may make only a limited number of investments and these may involve a high degree of risk, poor performance by even a few of these investments could lead to adverse effects on the returns received by investors.

13. After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.

14. The ability of Clients to withdraw the Funds / Portfolio or to transfer any of the interests, rights or obligations with regard to the Portfolio may be restricted under the terms of the Client Agreement and the Regulations.

15. Changes in Applicable Law may impact the performance of the Portfolio.

16. The clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients. The client may incur a higher rate of TDS/ Dividend Distribution Tax in case the investments are aggregated.

17. The arrangement of pooling of funds from various clients and investing them in Securities could be construed as an ‘Association of Persons’ (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.

18. In case of investments in mutual fund units, the client shall bear the recurring expenses of the mutual fund in addition to the expenses of the Portfolio Manager. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

19. There may be potential or perceived conflict of interest on the part of the Portfolio Manager in case of investments of investors/clients’ assets in the schemes of Pramerica Mutual Fund to which Pramerica Asset Managers Private Limited is acting the asset management company. However, the Portfolio Manager shall ensure that the investments are in the interest of the investors. Further, the Portfolio Manager has proper systems and controls in place to ensure that there is no conflict of interest between the activity of managing the schemes of Pramerica Mutual Fund and the activity of portfolio management services.

20. Prospective clients should review / study the Disclosure Document carefully and in its entirety and should not construe the contents or 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, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of the Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalisation, disposal (whether by sale, transfer or conversion into money) of the Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.

Risk Associated with Debt Instruments:

1. Investments in debt instruments and other fixed income securities are subject to default risk, liquidity risk and interest rate risk and may also be subject to price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

2. Interest rate risk is associated with movements in interest rates, which depend on various factors such as government borrowing, inflation, economic performance, changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. The value of investments in fixed income Securities will appreciate / depreciate if the interest rates fall/rise. Consequently, the value of the Portfolio may be subject to fluctuation.

3. Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest amount or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate.

4. Investments in non-publicly offered debt securities (where permitted by the investment mandate) may expose the Client’s Portfolio to liquidity risks.

Risk Associated with Equity Investments

1. Equity instruments carry both company specific and market risks, in addition to the risks stated above, and hence no assurance of returns can be made for these investments.

2. Investments in unlisted securities (where permitted by the Investment mandate) may expose the Client's portfolio to liquidity risks.

Risk Associated with Derivatives

1. Derivative products are leveraged instruments and can provide disproportionate gains or losses to the investor. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and the decision of the Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.

2. The risks associated with the use of derivatives are different from and possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Therefore, derivatives require investment techniques and risk analysis different from those associated with traditional Securities such as stocks and bonds. The use of derivatives 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. If the Portfolio Manager is incorrect in the forecasts of market values and currency exchange rates, the investment performance of the portfolio may be less favourable than it would have been if this investment technique were not used.

3. An investment in derivatives may involve additional risks for investors. These additional risks may arise as a result of any or all of the following.

   (a) the creditworthiness of the counterparties to such derivative transactions. [There is the possibility that a loss may be sustained by the portfolio as a result of the failure of the counterparty to comply with the terms of the derivatives contract]; and/or

   (b) the potential illiquidity of the markets for Derivatives.

4. 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.

5. To the extent that derivatives are utilised to seek to achieve the investment objectives of the client, and for purposes other than hedging, the overall risk of loss to the investor may be increased. To the extent that derivatives are utilised for hedging purposes, the risk of loss to the investor may be increased where the value of the derivative instrument and the value of the Security or position which it is hedging are insufficiently correlated.

(7) CLIENT REPRESENTATION

i. Summary of Clients Representation:-

Category of clients	No. of clients	Funds managed (Rs. Cr.)	Discretionary/ Non Discretionary (if available)
Associates /group companies (*Last 3 years*)			
As on June 30, 2015	Nil	Nil	Nil
As on March 31, 2015	Nil	Nil	Nil
As on March 31, 2014	Nil	Nil	Nil
As on March 31, 2013	N.A.	N.A.	N.A.
As on March 31, 2012	N.A.	N.A.	N.A.
As on March 31, 2011	N.A.	N.A.	N.A.
Others *(Last 3 years)*			
As on June 30, 2015	107	61.55	Discretionary
As on March 31, 2015	103	60.55	Discretionary
As on March 31, 2014	21	11.36	Discretionary
As on March 31, 2013	N.A.	N.A.	N.A.
As on March 31, 2012	N.A.	N.A.	N.A.
As on March 31, 2011	N.A.	N.A.	N.A.
Total	**231**	**133.46**	**-**

(ii) Complete disclosure of transactions with related parties for the financial year ended March 31, 2014 (as per the standards specified by the Institute of Chartered Accountants of India):-

A	**Related parties where control exists:**	
	Nature of relationship	**Related Party**
	Ultimate Holding Company	Prudential Financial Inc.
	Holding Company	PGLH of Delaware,Inc. (Holds 99.99% of equity share capital)
	Intermediate Parent Company	Prudential International Investment LLC Prudential International Insurance Holdings Ltd. (w.e.f. August 30, 2013)*
B	Key Management Personnel	Mr. Vijai Mantri - Director
		Mr. Ravi Kumar - Director
		Mr. C. P. Philip - Director
		Mr. G. Parthasarthy - Director
		Mr. Vijay Ranchan - Director
		*Richard Didio – Director
C	Fellow Subsidiary	Pramerica Trustees Private Limited
D	Mutual Fund managed by Fellow Subsidiary	Pramerica Mutual Fund (PMF), managed by Pramerica Asset Managers Private Limited

* No transactions during the year

	Nature of Transactions	Name of Related Party	Holding Company	Intermediate Parent Company	Key Management Personnel	Fellow Subsidiary	Mutual Fund Managed by Fellow Subsidiary
a	**FINANCE**						
	Subscription to Equity Share Capital	**PLGH of Delaware, Inc.**		**-**			
b	**INVESTMENTS**						
	Purchase/Subscription of Units	**Pramerica Mutual Fund**					**841,397,132**
							(3,030,929,417)
	Sale/Redemption of Units	**Pramerica Mutual Fund**					**1,177,916,565**
							(3,542,274,314)
	Purchase of Commercial Paper	**Pramerica Mutual Fund**					
							(482,708,000)
c	**INCOME AND EXPENSES**						
	Investment Management and Advisory Fees	Pramerica Mutual Fund					81,652,191
							(88,633,013)
	Remuneration**						
	Salaries and Bonus	Vijai Mantri	-	-	31,925,596	-	-

					(33,016,106)		
	Contribution to Provident and Other Fund	Vijai Mantri	-	-	942,000	-	-
					(868,520)		
	Salaries and Bonus	Ravi Kumar	-	-	48,522,183	-	-
					(36,764,727)		
	Contribution to Provident and Other Fund	Ravi Kumar	-	-	2,068,005	-	-
					(1,890,896)		
	Directors' Sitting Fees	G Parthasarthy			100,000		
					(73,400)		
		C. P. Philip			200,000		
					(169,000)		
		Vijay Ranchan			120,000		
					(113,400)		
	Reimbursement of insurance premium for Directors and Officers Liability Insurance Policy	Pramerica Trustees Private Limited				435,861	
						(398,980)	
	Reimbursement of SEBI Annual Service Fee	Pramerica Trustees Private Limited				450,000	
						-	
	Reimbursement of Employee Cost	Prudential International Investment LLC		13,094,113			
				(10,821,726)			
c	**RECEIVABLES AND PAYABLES**						
			-	-	-		
	Investment Management and Advisory Fees Receivable	Pramerica Mutual Fund					6,596,827
							(8,419,247)
	Reimbursement of Expenses Receivable	Pramerica Mutual Fund					898,196
							(2,750,951)
	Trade Payables (Scheme Expenses)	Pramerica Mutual Fund					6,896,433

							(10,573,141)
	Employee benefits payable (Bonus)	Vijai Mantri	-	-	4,675,000	-	-
					(4,610,959)		
	Employee benefits payable (Salaries and Bonus)	Ravi Kumar	-	-	2,388,900	-	-
					(2,608,800)		
	Employee benefits payable	Prudential International Investment LLC	-	14,230,750	-		
				(6,371,978)			
	Other Current Liabilities (Share Application Money)	PGLH of Delaware, Inc.	242				
			(242)				
	Figures in brackets related to previous period ** As gratuity and compensated absences are computed for all employees in aggregate, the amounts relating to the Key Management Personnel cannot be individually identified.						

(8) THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER

Financial Performance of the Portfolio Manager, based on the audited financial statements are as follows:-

Financial Performance	**2013-2014**	**2012-2013**	**2011-2012**	**2010-2011**
Total Income	**127,646,697**	208,864,600	85,075,514	32,046,978
Total Expenditure	420,978,849	880,807,454	356,689,794	399,756,213
Profit / (Loss) before tax	**(293,332,152)**	(671,942,854)	(271,614,280)	(367,709,235)
Provision for tax including income tax and wealth tax	25,398	-	(968)	(262,883)
Profit/(Loss) after tax	**(293,357, 550)**	(671,942,854)	(271,615,248)	(367,972,118)
Net Worth	**527,161,248**	**818,743,322**	**1,487,926,670**	**234,960,722**

(9) PORTFOLIO MANAGEMENT PERFORMANCE FOR THE LAST THREE YEARS

The Consolidate Portfolio Performance of PMS (Discretionary) Clients as on June 30, 2015 is as under:-

Consolidate Portfolio Performance of PMS (Discretionary) Clients as on June 30, 2015		
Period	**Pramerica Deep Value Strategy**	**CNX NIFTY**
As on June 30, 2015 (From April 1, 2015 to June 30, 2015)	-0.45%	-1.44%
As on March 31, 2015 (From April 1, 2014 to March 31, 2015)	41.51%	26.65%
As on March 31, 2014 (From July 3, 2013 to March 31, 2014)	32.77%	14.45%
Since inception date (From July	36.91%	19.60%

3, 2013 to June 30, 2015) (Returns are of Net of Expenses)		

Performance depicted above, as at June 30, 2015, is based on all the client portfolios under the strategy existing as on such date, using time weighted average methodology. Past performance is no guarantee of future returns. The above portfolio performances are net of expenses. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client mandate, specific portfolio construction characteristics or other structural parameters. These factors may have impact on client portfolio performance and hence may vary significantly from the performance data depicted above.

Neither the Portfolio Manager, nor its directors or employees shall in any way be liable for any variation noticed in the returns of individual client portfolios. The Portfolio Manager does not make any representation that any investor will or is likely to achieve profits or losses similar to those depicted in this document. Return for period upto 1 year is absolute. Since inception date stated is considered to be the date on which the first client investment was made under the strategy.

(10) NATURE OF EXPENSES

The following are indicative types of costs and expenses for clients availing the Portfolio Management Services. The exact basis of charge relating to each service shall be provided in the application form and/or the Client Agreement.

i. **Management Fees: -** Management Fees relate to the Portfolio Management Services offered to Clients. The fee may be a fixed charge or a percentage of the quantum of funds manages or linked to Portfolio returns achieved or a combination of any of these, as agreed by the Client in the PMS Agreement.

ii. **Performance Fees: -** Profit / performance shall be computed as a percentage of profits on the basis of high water mark principle over the life of the investment. High Water Mark shall be the highest value that the portfolio/account has reached. The value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. The Portfolio Manager will charge performance based fee only on increase in portfolio value in excess of the previously achieved high water mark.

iii. **Entry Load/Fee**: **-** The client may be charged an entry fee as agreed in the application or Client Agreement.

iv. **Exit Fee**: The client may be charged an exit fee, if redeemed within the time stated and as agreed in the application or Client Agreement.

v. **Custodian/Depository Fees: -** The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.

vi. **Registrar and Transfer Agent Fees: -** As may be negotiated by the Portfolio Manager with suitable registrar and transfer agents.

vii. **Brokerage and Transaction Costs:-** The brokerage charges and other charges like service charge, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments.

viii. **Certification and Professional Charges: -** Charges payable for outsourced professional services like accounting, taxation & legal services, notarizations, audit fees etc. for certifications, attestations required by bankers or regulatory authorities.

ix. **Bank Charges:** As may be applicable at actual.

x. **Incidental Expenses: -** Charges in connection with the courier expenses, stamp duty, notary charges, service tax, postal, telegraphic, account opening and operation of Demat account or bank accounts etc. Such fees shall be payable as and when it is charged by the relevant service provider/authority.

Please note that in case of investments of investors/clients assets in mutual fund units (including that of Pramerica Mutual Fund), the client shall bear the recurring expenses of the mutual funds in addition to the expenses of the Portfolio Manager. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

All fees and charges shall be levied on the actual amount of the Clients' assets under management. In case of interim contributions/ withdrawals by clients, performance fees may be charged after appropriately adjusting the high water mark on proportionate basis.

(11) TAXATION - TAX IMPLICATIONS FOR THE CLIENTS

The tax implications described hereinafter are as per the provisions of the Income-tax Act, 1961 (Act) as amended by the Finance Act, 2015.

It may be noted that the information given hereinafter is only for general information purposes and is based on the advice received by the Portfolio Manager regarding the law and practice currently in force in India. Investors should be aware that the relevant fiscal rules or their interpretation may change or may not be acceptable to the tax authorities. As is the case with any interpretation of any law, there can be no assurance that the tax position prevailing at the time of an investment will be accepted by the tax authorities or will continue to be accepted by them indefinitely.

Further statements with regard to tax benefits mentioned herein below are mere expressions of opinion and are not representations of the Portfolio Manager to induce any investor to invest whether directly from the Portfolio Manager or indirectly from any other persons by the secondary market operations. In view of the above, and since the individual nature of tax consequences may differ in each case on its merits and facts, each Investor is advised to consult his / her or its own professional tax advisor with respect to the specific tax implications arising out of its participation in the portfolio management product/ option, as an investor.

A. Treatment of Dividend from Companies and Mutual Funds

(i) Any dividend income from a domestic company, which is subject to dividend distribution tax (DDT) under section 115-O of the Act, is exempt from tax under section 10(34) of the Act.

(ii) Income (other than on transfer of units) from units of a Mutual Fund, registered with the Securities and Exchange Board of India (SEBI), is exempt from tax under section 10(35) of the Act.

B. Treatment of Interest on Fixed Income Securities

Interest income received by any tax payer is taxable as 'Income from other sources' at the normal tax rates applicable to the tax payer [refer paragraph E for the tax rates] except with respect to certain interest income arising to foreign portfolio investors[2] (FPIs) and non-resident Indians (NRI). These exceptions are discussed below:

(i) As per section 115AD read with section 194LD of the Act, income by way of interest payable on or after 1 June 2013 but before 1 July 2017[3], in respect of investment made by an FPI in government securities or rupee denominated bonds of an Indian company shall be taxable at the rate of 5% plus surcharge as applicable and cess, provided that the rate of interest in respect of the bonds does not exceed the rate as may be notified by the Central Government. [The Central Government on 29 July 2013 has notified[4] the qualifying rates of interest on rupee denominated bonds of an Indian company as under:
- In case of bonds issued before 1 July 2010, the rate of interest shall not exceed 500 basis points over the Base Rate of State Bank of India as on 1 July 2010
- In case of bonds issued on or after 1 July 2010, the rate of interest shall not exceed 500 basis points over the Base Rate of State Bank of India applicable on the date of issue of the said bonds

(ii) Further, as per section 115AD of the Act, interest received by an FPI [other than the interest referred to in (i) above] is chargeable to tax at the rate of 20% plus surcharge as applicable and cess.

(iii) As per section 115E of the Act, income from investment by an NRI, will be chargeable to tax at the rate of 20% plus surcharge as applicable and cess.

For rate of surcharge and cess, please refer paragraph F.

C. Characterisation of Income earned from Transfer/ Sale of Securities

Transaction in shares/ securities/ units of Mutual Fund may be either on the capital account (and chargeable to tax 'Capital gains' under section 45 of the Act) or on the trading account (and chargeable to tax as 'Profits and gains of business or profession' under section 28 of the Act).

The issue of income characterization as above is essentially a question of fact and dependent on various factors. Guidance can be sought from judicial precedents and clarifications issued by the CBDT vide circular/ instructions.

The Finance (No.2) Act, 2014 amended the definition of "capital asset" to include any security held by a FPI in accordance with the regulations made under the SEBI, Act 1992. By virtue of the said amendment, any income arising to a FPI on transfer of such security would be characterised as 'Capital gains'.

D. Short-Term and Long-Term Capital Gains on Sale of Securities

[2] The Central Board of Direct Taxes (CBDT), vide Notification No. 9/2014/ F. No. 173/10/2014-(ITA.I) dated 22 January 2014, has clarified that FPIs registered with SEBI under the SEB(Foreign Portfolio Investors) Regulations, 2014 would be regarded as 'Foreign Institutional Investors' as per the Explanation to section 115AD of the Act.

[3] The Finance Act, 2015 has extended the concessional rate up to 30 June 2017.

4 Notification No. 56/2013/F.No.149/81/2013-TPL dated 29 July 2013.

Where investments under the portfolio management services are held by the investor on capital account, then the profit or loss from transfer of securities is taxed as ‘Capital gains’ under section 45 of the Act.

The rate of tax and other tax implications would also vary depending upon whether the capital asset sold is a short-term capital asset or a long-term capital asset.

As per section 2(42A) of the Act, any unlisted securities (other than a unit) [such as unlisted equity/ preference shares] and units of a mutual fund (other than an equity oriented fund) shall be considered as a short-term capital asset where the same are held for a period of 36 months or less immediately preceding their date of transfer. However, a security (other than a unit) listed in a recognized stock exchange in India or a unit of an equity oriented fund, held for a period of 12 months or less would be termed as a short-term asset.

All capital assets which are not short-term capital assets are treated as long-term capital assets.

Gains arising from a short-term capital asset are regarded as short-term capital gains and gains arising from long-term capital assets be regarded as long-term capital gains.

As per the provisions of section 48 of the Act, capital gains/ losses are computed by reducing from the sale consideration:

i. the cost of acquisition of the asset transferred; and
ii. any expenditure incurred wholly and exclusively in connection with the transfer.

Additionally, the status of tax payer (i.e. whether the tax payer is an individual, a corporate, etc), whether the transfer has been subject to Securities Transaction Tax (STT), the nature of the instrument sold, etc also impact the rate of tax applicable to capital gains arising from the transfer of a capital asset. Some of these aspects have been discussed below.

Capital gains tax on sale transaction on which STT is chargeable

STT is a transaction based tax collected by the stock exchange and is applicable on all transactions effected on the exchange.

The following table provides the details in respect of the rate of STT applicable (as on date) to respective taxable securities transactions (unless mentioned otherwise, the STT is payable by the seller):

Nature of Transaction	Payable by	Value on which tax shall be levied	Rates applicable (%)
Delivery based purchase transaction in units of equity oriented fund entered into in a recognized stock exchange	Purchaser	Value at which units are bought	Nil
Delivery based purchase transaction in equity shares or units of a business trust entered in a recognized stock exchange	Purchaser	Value at which shares/ units are bought	0.1
Delivery based sale transaction in	Seller	Value at which	0.1

equity shares or units of a business trust entered in a recognized stock exchange		shares/ units are sold	
Delivery based sale transaction in units of equity oriented fund entered into in a recognized stock exchange	Seller	Value at which units are sold	0.001
Non-delivery based sale transaction in equity shares or units of equity oriented fund or units of a business trust entered in a recognised stock exchange	Seller	Value at which shares/ units are sold	0.025
Transaction for sale of futures in securities	Seller	Value at which futures are traded	0.01
Transaction for sale of an option in securities	Seller	The option premium	0.017
Transaction for sale of an option in securities, where the option is exercised	Purchaser	The settlement price	0.125
Sale of units of an equity oriented fund to the mutual fund	Seller	Value at which units are sold	0.001
Sale of unlisted equity shares by any holder of such shares under an offer for sale to the public included in an IPO and where such shares are subsequently listed on a recognised stock exchange	Seller	Value at which shares are sold	0.2

Long-term capital gains

Under section 10(38) of the Act, long-term capital gains arising on sale of equity shares of a company or units of equity oriented fund on which STT is chargeable are exempt from income-tax.

However, such long-term capital gains which are exempt under section 10(38) of the Act are taken into account in computing the book profit and income-tax payable under section 115JB of the Act.

Short-term capital gains

Section 111A of the Act provides that short-term capital gains arising on sale of equity shares of a company or units of equity oriented fund and on which STT is chargeable are liable to income-tax at a concessional rate of 15% plus surcharge as applicable and cess. Further, section 48 of the Act provides that in the computation of capital gains, no deduction shall be allowed in respect of STT paid.

However, capital gains arising from the transfer of exchange traded derivatives are chargeable to tax at normal rates applicable to the tax payer. Capital gains from transfer of exchange traded derivatives earned by FPIs are chargeable to tax at the rate of 30% plus surcharge as applicable and cess.

In case of individuals and Hindu Undivided Families (HUFs), where the taxable income as reduced by short-term capital gains is below the maximum amount not chargeable to tax, the short-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance short-term capital gains will be charged at the applicable rate plus cess.

Capital gains tax on sale transaction on which STT is not chargeable

For resident individuals, HUFs, partnership firms (including limited liability partnership) and Indian companies

Long-term capital gains

Long-term capital gains earned in respect of a long-term capital asset, is chargeable to tax under section 112 of the Act at the rate of 20% plus surcharge as applicable and cess. Capital gains are computed after taking into account the cost of acquisition as adjusted by the cost inflation index notified by the Central Government (indexed cost) and expenditure incurred wholly and exclusively in connection with such transfer.

In the case of listed securities or zero coupon bond (as defined under the Act), a tax payer has an option to apply the concessional rate of 10% plus surcharge as applicable and cess, provided the long-term capital gains are computed without substituting the indexed cost in place of the cost of acquisition. As per the Finance (No. 2) Act, 2014, long-term capital gains arising on sale of units of a mutual fund[5], where the transfer is undertaken on or after
11 July 2014, would be taxable at the rate of 20% plus surcharge as applicable and cess.

Further, in case of individuals and HUFs, where taxable income as reduced by long-term capital gains is below the maximum amount not chargeable to tax, the long-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance long-term capital gains will be charged at the rate of 20% or 10% plus surcharge as applicable, and cess.

In the case of capital assets being bonds or debentures (other than capital indexed bonds issued by the Government), the benefit of indexation is not available.

Short-term capital gains

Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer.

For non-residents[6]

Long-term capital gains

Under section 112 of the Act, long-term capital gains arising from the transfer of a capital asset, other than unlisted securities, are chargeable to tax at the rate of 20% plus surcharge as applicable and cess. In case of non-resident, capital gains arising from transfer of a capital asset being shares in, or debentures of, an Indian company (other than unlisted securities) shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilised in the purchase of the shares or debentures,

[5] Other than units of an equity oriented fund; under section 10(38) of the Act, long-term capital gains arising on sale of units of equity oriented fund on which STT is chargeable are exempt from income-tax.
[6] Other than NRIs, who may elect to be covered by the provisions of section 115E of the Act, as regards tax on investment income and long-term capital gains, where beneficial.

and the capital gains so computed in such foreign currency shall be reconverted into Indian currency (hereinafter referred to as FC computation mechanism). Further, the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares in, or debentures of, an Indian company.

Further, under section 112 of the Act, long-term capital gains arising from the transfer of a capital asset, being units of a mutual fund, are chargeable to tax at the rate of 20% plus surcharge as applicable and cess; capital gains are computed by taking into account the indexed cost and expenditure incurred wholly and exclusively in connection with such transfer.

Long-term capital gains arising from transfer of a capital asset, being unlisted securities and unlisted units are chargeable to tax at the rate of 10% plus applicable surcharge and education cess. Such long-term capital gains would be calculated without indexation of cost of acquisition and FC computation mechanism.

Short-term capital gains

Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer.

The FC computation mechanism is available to non-resident/ NRI for computing the short-term capital gains arising from the transfer of shares or debentures.

FPIs

Long-term capital gains

Under section 115AD of the Act, long-term capital gains will be chargeable to tax at the rate of 10% plus surcharge as applicable and cess. Such gains would be calculated without indexation of the cost of acquisition and without FC computation.

Short-term capital gains

Short-term capital gains earned will be chargeable to tax at the rate of 30% plus surcharge as applicable and cess.

For rate of surcharge and cess, please refer paragraph F.

E. Business Income from Purchase and Sale of Securities

If the investment under the portfolio management services is regarded as "Business/ Trading Asset" then the gain arising there from is taxed as business income.

Where income referred to above is treated as business income, the person is eligible for deduction under section 36(1)(xv) of the Act for the amount of STT paid.

The tax rates applicable to different categories of tax payers for the financial year ending 31 March 2016 are as follows:

Individuals (including NRs)/ HUFs/ Association of Persons/ Body of Individuals

Individuals (*including* NRs)/ HUFs/ Association of Persons/ Body of Individuals are taxable on progressive basis, as given below:

Where total income for a tax year (April to March) is less than or equal to Rs 250,000 (the basic exemption limit)	Nil
Where such total income is more than Rs 250,000 but is less than or equal to Rs 500,000	10 per cent of the amount by which the total income exceeds Rs 250,000
Where such total income is more than Rs 500,000 but is less than or equal to Rs 1,000,000	Rs 25,000 plus 20 per cent of the amount by which the total income exceeds Rs 500,000
Where such total income is more than Rs. 1,000,000	Rs 125,000 plus 30 per cent of the amount by which the total income exceeds Rs 1,000,000

The basic exemption limit in case of a resident senior citizen (with age of sixty years or more but less than eighty years) is Rs 300,000, in case of resident in India, who is of the age of eighty years or more at any time during the previous year is Rs 500,000.

For rate of surcharge and cess, please refer paragraph F.

Other categories of investors

Tax rates for other categories are given below:

Type of tax payer	**Tax rate**
Partnership firms (including limited liability partnership)/ domestic company	30%
Non-resident (other than individual and foreign company)	30%
Company other than a domestic company	40%

For rate of surcharge and cess, please refer paragraph F.

F. Surcharge and Cess

The tax rates mentioned herein would be increased by a surcharge of:

a) 12% - in case of individual/ HUF/ AOP/ BOI, firm/ limited liability partnership, local authority and co-operative societies, where the total income exceeds Rs 10,000,000.
b) 7% - in case of domestic corporate, where the total income exceeds Rs 10,000,000 but does not exceed Rs 100,000,000.
c) 12% - in case of domestic corporate, where the total income exceeds Rs 100,000,000.
d) 2% - in case of foreign corporate, where the total income exceeds Rs 10,000,000 but does not exceed Rs 100,000,000.
e) 5% - in case of foreign corporate, where the total income exceeds Rs 100,000,000.

An additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of the applicable surcharge for all tax payers.

G. Losses under the head Capital Gains/ Business Income

The Act provides for the manner in which the losses under the head 'Capital gains' or 'Profits and gains of business or profession' are to be set-off and carried forward.

Additionally, the following provisions of the Act provide for non-availability of losses:

According to section 94(7) of the Act, if any person buys or acquires any shares or units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months (for units) or within a period of three months (for shares) from such record date, then losses arising from such sale to the extent of dividend or income received or receivable on such shares or units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

Further, section 94(8) of the Act provides that, where additional units have been issued to any person without any payment, on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of additional units and sold within nine months from such record date, and such person continues to hold all or any of the bonus units at the time of sale of original units. However, the loss so ignored shall be considered as cost of acquisition of such additional units held on the date of sale by such person.

H. Tax Deduction at Source

Any person responsible for paying to a non-resident, any income, which is chargeable to tax under the Act, is required to withhold income-tax thereon under section 195 of the Act, at the prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

However, with respect to FPIs, section 196D(2) of the Act provides that income-tax is not required to be withheld from any income by way of capital gains, arising from the transfer of shares and units referred to in section 115AD, payable to the FPIs.

In case of deduction of tax at source (TDS) on payments made to non-residents, the tax rates would be increased by surcharge and cess.

Any person (not being an individual or HUF having total sales/ turnover/ gross receipts not exceeding business of Rs 10 million or gross receipts from profession not exceeding Rs 2.5 million) responsible for making certain specified payments (for e.g. interest) to a resident, is required to withhold income-tax thereon at the prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

In case of TDS on payments made to residents, the tax rates would not be increased by surcharge and cess.

Where the deductee fails to furnish its PAN/ furnishes an incorrect PAN to the deductor, the deductor will be required to withhold taxes at the rate specified under the Act or the rates in force or 20%, whichever is higher.

I. Advance Tax Installment Obligations

It will be the responsibility of the Client to meet the advance tax obligation installments payable on the due dates under the Act.

J. Minimum Alternate Tax

Section 115JB(1) of the Act provides that, if the tax payable by a company on the total income computed as per the provisions of the Act is less than 18.50% of its ‘book profit’, then notwithstanding anything contained in any other provision of the Act, the ‘book profit’ shall be deemed to be the total income of the tax payer, and the amount of tax payable shall be the amount of income-tax at the rate of 18.50% (plus applicable surcharge and education cess) on such total income. This tax prescribed on book profits under section 115JB is commonly referred to as Minimum Alternate Tax (MAT).

Section 115JB(2) of the Act further provides that, every company shall, for the purposes of section 115JB of the Act, prepare its profit and loss account in accordance with Schedule III of the Indian Companies Act, 2013. Further, Explanation 1 to section 115JB(2) of the Act prescribes certain additions to/ deductions from the net profit/ loss to determine the ‘book profit’ within the meaning of section 115JB of the Act. [Under the Act, long-term capital gains arising on sale of units of an equity oriented fund and exempt under the provisions of section 10(38) of the Act, would not be excluded from the book profits while calculating profits chargeable to MAT.]

As per an amendment introduced by the Finance Act, 2015, the amount of income accruing or arising to a foreign company from capital gains arising on transactions in securities or interest, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII of the Act, shall be excluded from the purview of MAT, if such income is credited to the Profit and Loss Account and the income-tax payable thereon in accordance with the provisions of the Act (other than the MAT provisions), is at a rate less than the MAT rate of 18.5%. The Finance Act, 2015 also provides that the corresponding expenses shall also be excluded while computing MAT.

K. Benefit of Double Taxation Avoidance Agreement

As per the provisions of section 90(2) of the Act, in determining the taxability of a non-resident, the provisions of the relevant Double Taxation Avoidance Agreement (DTAA) or the Act, whichever are more beneficial shall apply. Accordingly, if the investor is a resident of country with which India has entered into a DTAA, the provisions of the DTAA or of the Act, whichever are more beneficial to the investor, shall apply.

Section 90(4) of the IT Act, as amended by the Finance Act, 2013 (effective from 1 April 2012) provides that a tax payer, not being a resident, to whom a DTAA applies, shall not be entitled to claim any relief under such DTAA unless a certificate of it being a resident in any country outside India is obtained by it from the Government of that country.

Further, section 90(5), as introduced by the Finance Act, 2013 (and effective from 1 April 2012), provides that the tax payer referred to in section 90(4) of the Act, shall also provide such other documents and information, as may be prescribed. In this connection, on
1 August 2013, the CBDT issued a Notification substituting Rule 21AB of the Income-tax Rules, 1962 (Rules) and prescribing the format of information to be provided under section 90(5) of the Act, i.e. in Form No 10F.

A tax payer would be required to furnish Form No 10F, where the required information[7] is not explicitly mentioned in the aforementioned certificate of residency; in which case, the Notification additionally requires the tax payer to keep and maintain such documents as are necessary to substantiate the information provided.

(12) ACCOUNTING POLICIES

a. **Basis of Accounting**

Books and Records would be separately maintained in the name of the client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the SEBI (Portfolio Managers) Regulations, 1993, as amended from time to time. Accounting under the respective portfolios will be done in accordance with Generally Accepted Accounting Principles.

b. **Income Recognition:**

Dividend income shall be recognized on the ex-dividend date. Interest income on investments shall be accrued on due dates. Profit or loss on sale of investments shall be recognized on the trade dates on the basis of first-in-first-out basis.

c. Recognition of fees and other expenses

Investment Management fees and other charges shall be accrued and charged as agreed in the agreement between the Portfolio Manager and the Client.

d. **Valuation of Investments:**

(i) Secondary market transactions shall be recognized as investments on the trade dates at cost including brokerage, service tax, stamp fees and other applicable transaction charges. Subscriptions to primary market issues shall be recognized as investments on allotment. Bonus and/or right entitlements shall be recognized on ex-bonus/ex-right dates. If the investment quantity for any Client results in fractional holdings, pursuant to split or de-merger or any other corporate action, the Portfolio Manager, at his discretion, may sell or buy fractional units (subject to availability of cash) to make the investment of each Client in marketable lots.

(ii) Traded Securities shall be valued on the basis of closing market rates on the National Stock Exchange ('NSE') as on the relevant valuation date. If the Security is not listed on the NSE, the latest available quote within a period of thirty days prior to the valuation date on any other major stock exchange where the Security may be listed would be considered. In the event of this date being a holiday at the exchange, the rates as on the immediately preceding trading day shall be adopted. If no such quote is available, the security may be considered as non-traded.

(iii) Mutual fund units shall be valued at the latest available net asset value closest to the relevant valuation date.

[7] Status (individual, company, firm etc) of the tax payer; Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others); Tax payer's tax identification number in the country or specified territory of residence (In case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the tax payer claims to be a resident); Period for which the residential status, as mentioned in the certificate of residence is applicable; and Address of the tax payer in the country or specified territory outside India, during the period for which the certificate is applicable.

(iv) Government securities shall be valued at the prices released by the Reserve Bank of India. Government securities, where prices are not available, shall be valued at yield to maturity based on the prevailing interest rates as per the yield curve.

(v) Bonus shares to which the portfolio becomes entitled shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the Stock Exchange, Mumbai on an ex-bonus basis. Similarly, rights entitlements shall be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-right basis.

(vi) Index Futures shall be valued at settlement price declared by NSE on the valuation date.

(vii) Profit/ loss on index futures shall be recognized on expiration or squaring up of the contract based on first –in- first out (FIFO) method.

(viii) On the valuation date, the ‘marked to market’ (MTM) margin received on outstanding contracts shall be considered as current liability. MTM margin paid shall be considered as current assets and provision shall be created for the same.

(ix) In respect of all interest bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.

(x) In determining the holding cost of investments the “Weighted average price (WAP)” method shall be followed for each security and the gains or loss on sale of investments, “First in first out (FIFO)” method shall be followed.

(xi) Transactions for purchase or sale of investment shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market for example, acquisition through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or in the event of a sale. When the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

(xii) Unlisted, non-traded and thinly traded equity securities, including those not traded within thirty days prior to the valuation date and all other securities where a value cannot be ascertained shall be valued in good faith at fair value as determined by the Portfolio Manager. Non-traded and thinly traded Fixed Income Instruments, including those not traded within seven days prior to the valuation date will be valued at cost plus interest accrual till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instrument.

(xiii) The cost of Investments acquired or purchased shall include brokerage, stamp duty and any charge customarily except for Securities Transaction Tax included in the broker's bought note. In respect of privately placed debt instruments any front end discount offered may be reduced from the cost of the investment.

(xiv) Securities brought in by the client, the same is accounted for in PMS accounts on the date on which the stock is credited to the depository account shall be valued at the closing price of the security at NSE. If closing price on NSE is not available, BSE price would be considered. Accordingly, date of credit as aforesaid shall be construed as date of acquisition and cost as stated above is considered as cost of acquisition for the purpose of computing gains / returns in case these details are not provided by the Client.

(xv) Securities withdrawn by the client: the same is accounted for in the portfolio accounts on the date on which the stock debited to the depository account shall be valued at the closing price of the security at NSE. If closing price on NSE is not available, BSE price would be considered. Accordingly, date of debit as aforesaid shall be construed as date of sale and value as stated above is considered as sale consideration for the purpose of computing gains / returns.

(xvi) The accounting policies and standards as outlined above are subject to changes made from time to time by the Portfolio Manager. However such changes would be in conformity with the Regulations.

(13) INVESTORS SERVICES

(a) The name and address and telephone number of the Investor Relation Officer who shall attend to the investor queries and complaints are as follows:

Mr. Robinson Francis
Pramerica Asset Managers Private Limited
2nd Floor, Nirlon House, Dr. A.B. Road
Worli, Mumbai – 400030
Tel. no: +91 22 61593000
Fax: +91 22 61593100
Email: robinson.francis@pramerica.com

(b) Grievances & Dispute Settlement Mechanism:-

Grievances of the Clients may be sent to the designated Investor Relation Officer of the Portfolio Manager. The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or causes for grievance, in a reasonable manner and time. In case of any disputes, differences, claims and questions whatsoever which arise either during the subsistence of the PMS Agreement or afterwards between the parties thereto and/or their respective representatives, arising out of or in connection with the PMS Agreement, the Portfolio Manager and Client will endeavor to settle such dispute amicably within 30 days, failing which the same shall be referred to and settled by arbitration, under the specific terms described in the Client Agreement, in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force. The arbitration shall be held in Mumbai and will be conducted in the English language.

(14) MISCELLANEOUS PROVISIONS

a. Prevention of Money Laundering

The Portfolio Manager is committed to adhere to the requirements specified under the Prevention of Money Laundering Act 2002 and the requirements laid down by SEBI, in this respect. The Clients including guardians (in case of minors) shall ensure that the investments made by them are through legitimate sources only and do not involve or are not designated for the purpose of money laundering or any contravention or evasion of the requirements specified under any rules, laws and regulations specified by the Government of India or any other statutory body / entity.

The Portfolio Manager reserves the right to seek appropriate information / documents from the Clients with a purpose to comply with *inter alia* its regulatory obligations. For this purpose the Portfolio Manager could record telephonic calls of the Client, retain documents and information etc. including details for establishing the identity of the Investor, proof or residence, source of funds etc. The Portfolio Manager may also verify information through third party databases, personal visits etc. In case a Client refuses / fails / delays in providing the information sought by the Portfolio Manager, the Portfolio Manager retains the right to freeze the accounts of the Client, reject any transaction request, effect mandatory repayment / return of assets etc. The decision of the Portfolio Manager in this regard, shall be final.

SEBI vide circular dated January 24, 2013 prescribed guidelines for identification of Beneficial Ownership to be followed by the intermediaries for determination of beneficial owners. A 'Beneficial owner' is defined as a natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercise ultimate effective control over a legal person or arrangement. In this regard, all categories of investors (except individuals, company listed on a stock exchange or majority-owned subsidiary of such company) are required to provide details about beneficial ownership for all investments with effect from July 1, 2014. The Portfolio Manager reserves the right to reject applications/restrict further investments or seek additional information from investors who have not provided the requisite information on beneficial ownership. In the event of change in beneficial ownership, investors are requested to immediately update the details with the Portfolio Manager.

The Portfolio Manager shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the anti-money laundering laws and/or on account of deficiencies in the documentation provided by the Client(s) and the Portfolio Manager shall have no obligation to advise investors or distributors of such reporting. The 'Know Your Client' (KYC) documentation requirements shall also be complied with by the persons becoming clients by virtue of operation of law (such as by way of transmission).

The Portfolio Manager, and its Directors, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the account, rejection of any application or mandatory repayment or returning of Funds / assets of the account due to non-compliance with the provisions of the anti-money laundering laws and KYC policy and/or where the Portfolio Manager believes that transaction is suspicious in nature within the purview of the AML Laws and/or for reporting the same to FIU-IND.

b. Client Information

The Portfolio Manager shall presume that the identity of the Client and the information disclosed by him is true and correct. It will also be presumed that the funds invested by the Client through the services of the Portfolio Manager come from legitimate sources / manner and the investor is duly entitled to invest the said funds. Where the funds invested are for the benefit of a beneficiary other than the person in whose name the investments are made and/or registered, the Portfolio Manager shall assume that the Client holding the funds/Securities in his name is legally authorised /entitled to invest the said funds through the services of the Portfolio Manager, for the benefit of the beneficiaries.

Pursuant to the provisions of U.S. Office of Foreign Assets Control (OFAC) laws and regulations, if after due diligence, the Portfolio Manager believes that any transaction is violating any provisions of the OFAC laws and regulations or the investor failed to provide required documentation, information, etc., the Portfolio Manager shall have absolute discretion to report such transactions and details of the clients to Prudential Financial Inc or its affiliates for reporting under OFAC laws and regulations and/or to freeze the investment or reject any application(s).

c. Sharing of Client Information:

The Clients agree and acknowledge that the Portfolio Manager may share any Client's information (personal / financial, etc.,) with the following parties, in connection with and as may be necessary for the conduct of the Portfolio Manager's business / operations:

i. With any authorised external third parties / intermediaries (including, but not limited to Depository Participant, Custodian for the Portfolio Manager) who are involved in record-keeping, transaction handling and processing, dispatches, etc. of Client's investment in any Products / Portfolio of the Portfolio Manager; or

ii. With any Authorised Distributors / Introducers / Referrers through whom applications of Clients are received for the Products / Portfolio and/or who has introduced/referred the Client to the Portfolio Manager, unless any Client/s have specifically written to the Portfolio Manager to refrain from sharing such information with such parties; or

iii. any regulatory/administrative/legislative authority within or outside India and/or with any group company of the Portfolio Manager or the Prudential Group for compliance with any legal, statutory or regulatory requirements and/or to verify the identity of Clients for complying with anti-money laundering requirements and/or any order under any applicable laws for the time being in force and/or for the purpose of data storage.

The Account statements or financial information pertaining to the Clients, Distributors, Introducers, Referrers or any other entity as indicated above to be sent over the internet will be sent by the Portfolio Manager only through a secure mode. In case any Client feels that any information/data provided by the Client is inaccurate / deficient, then the Client has to ensure to correct/amend such information/data as soon as possible by getting in touch with the Portfolio Manager. The Portfolio Manager will at all times endeavor to handle transactions efficiently and to resolve any Client grievances promptly. Any complaints should be addressed to the Investor Relations Officer as specified in this Document.

d. Compliance with Foreign Account Tax Compliance Act:

The Hiring Incentives to Restore Employment Act was signed into US law in March 2010 and includes provisions commonly referred to as Foreign Account Tax Compliance Act ('FATCA'). FATCA require financial institutions to report to the US Internal Revenue Service ("IRS") certain information on US persons (based on one or more specified US indicia), holding accounts outside the US, as a safeguard against U.S. tax evasion. FATCA provisions imposes a 30% withholding tax on certain U.S. source payments (including dividends and gross proceeds from the sale or other disposal of property that can produce U.S. source income) when made to an individual or entity that does not comply with FATCA provisions. The 30% withholding could also apply to payments otherwise attributable to US source income. Any amounts withheld under FATCA may not be refundable by the IRS.

FATCA is globally applicable from July 1, 2014 and in order to comply with FATCA obligations, the Portfolio Manager will, with effect from July 1, 2014 seek additional information/ documentation from investors while accepting applications or otherwise (at its discretion), in order to ascertain their U.S. Person status. Further, with effect from July 1, 2014, the Portfolio Manager reserves the right not to accept applications which are not accompanied with information/documentation required to establish the U.S. Person status from the investors.

Further, the Portfolio Manager may report the information related to the investment of any investor to the US tax authorities (or to an Indian agency as notified, once India signs the Inter governmental Agreement with US) and redeem and/or apply withholding tax to payments to investors who fail to provide the information and documents required to identify their status, or are non-FATCA compliant financial institutions or fall within other categories specified in the FATCA provisions and regulations. Investors should consult their own tax advisors regarding the applicability of FATCA requirements to them.

e. Provisions applicable for subscription and redemption:-

The portfolio inception date for a client’s portfolio account would be determined on the basis of the date on which the subscription amount (either in cash or in securities) received from the client is available for utilization by the Portfolio Manager, subject to completion of all account opening formalities.

In case of redemption, the Portfolio Manager will endeavor to sell the securities in the portfolio account of the client within two business day from the date of receipt of valid and complete redemption request. Please note that in case of any illiquid securities in the portfolio, selling of such securities within the above prescribed time period may be difficult and in such scenarios the time taken for selling such illiquid securities may be extended.

Portfolio Manager, their directors, officers and /or agents shall not be liable/ responsible for any indirect or opportunity loss incurred by the client on account of the sale of securities.

The Portfolio Manager shall endeavor to disburse the redemption proceeds to the client within six business days from the date of receipt of valid and complete redemption request, subject to the completion of all the relevant formalities, including settlement of sell trades and availability of funds.

Notwithstanding anything contained in this Disclosure Document, the provisions of the SEBI (Portfolio Managers) Regulations, 1993, as amended from time to time and the guidelines there under shall be applicable.

Investors are advised to read the Disclosure Document carefully before entering into the agreement with the Portfolio Manager.

Sd/- Name: Mr. Ravi Kumar Designation: Executive Director & Chief Executive Officer DIN: 2246016	Sd/- Name: Mr. C. P. Philip Designation: Director DIN: 54325

FORM C

Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993
(Regulation 14)

Pramerica Asset Managers Private Limited
2nd Floor, Nirlon House, Dr. A.B Road,
Worli, Mumbai - 400 030, India
Tel: +91 22 61593000
Fax: +91 22 61593100

We confirm that:

(i) The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;

(ii) The disclosures made in the Disclosure Document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management;

(iii) The Disclosure Document has been duly certified by an independent chartered accountant, namely, M. P. Chitale & Co Chartered Accountants, 1/11, 1st Floor, Prabhadevi Industrial Estate, Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025, Tel:- +91 22 4347 4301 (Firm Registration No: 101851W) on July 15, 2015 (enclosed is a copy of the chartered accountants' certificate to the effect that the disclosures made in the document are true, fair and adequate to enable investors to make a well informed decision).

Sd/-
Ravi Kumar
(Principal Officer)
Pramerica Asset Managers Private Limited
2nd Floor, Nirlon House, Dr. A.B Road,
Worli, Mumbai - 400 030, India

Place : Mumbai
Date : July 15, 2015

M. P. Chitale & Co.
Chartered Accountants
1/11, Prabhadevi Ind. Estate, 1st Flr., Opp. Siddhivinayak Temple, Veer Savarkar Marg, Prabhadevi, Mumbai - 25 • Tel.: 43474301-03 • Fax : 43474304

The Board of Directors,
Pramerica Asset Managers Private Limited,
2nd Floor, Nirlon House, Dr. A.B Road,
Worli, Mumbai - 400 030.

We have examined the Disclosure Document for Portfolio Management dated July 15, 2015, prepared in accordance with Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993 by Pramerica Asset Managers Private Limited, having its Corporate office at 2nd Floor, Nirlon House, Dr. A.B. Road, Worli, Mumbai 400 030.

Based on our examination of attached Disclosure Document and other relevant records and information furnished by Management, we certify that the disclosures made in the attached Disclosure Document for Portfolio Management are true, fair and adequate to enable the investors to make a well informed decision.

We have relied on the representations given by the management about the penalties or litigations against the Portfolio Manager mentioned in the disclosure document. We are unable to comment on the same.

This certificate has been issued for submission to the Securities and Exchange Board of India for the sole purpose of certifying the contents of the Disclosure Document for Portfolio Management services and should not be used or referred to for any other purpose without our prior written consent.

For M.P. Chitale & Co.
Chartered Accountants
Firm Reg. No. 101851W

V.V. Barje

Vidya Barje
Partner
Membership No. 104994
Mumbai, July 15, 2015