



## STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information (SAI) contains details of Principal Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference and is legally a part of the Scheme Information Document.

This SAI is dated June 28, 2017

<b>Name of Mutual Fund</b>	Principal Mutual Fund
<b>Name of Asset Management Company</b>	Principal Pnb Asset Management Company Private Limited
<b>Name of Trustee Company</b>	Principal Trustee Company Private Limited

### Addresses, Website of the Entities:

<b>Principal Mutual Fund</b>	<b>Address:</b> Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Website:</b> <a href="http://www.principalindia.com">www.principalindia.com</a> <b>Email:</b> <a href="mailto:customer@principalindia.com">customer@principalindia.com</a> <b>Toll Free No.:</b> 1800 425 5600 <b>Fax No. –</b> (022) 67720512
<b>Principal Pnb Asset Management Company Private Limited</b>	
<b>Principal Trustee Company Private Limited</b>	

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## **SECTION I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES**

### **A. CONSTITUTION OF THE MUTUAL FUND**

Principal Mutual Fund (formerly known as IDBI-PRINCIPAL Mutual Fund and herein referred to as the “Mutual Fund”) has been constituted as a trust on November 25, 1994 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882).

The Fund was initially set up by Industrial Development Bank of India (IDBI) in 1994 by execution of the afore-referred Trust Deed, under which IDBI was the sole Settlor, Sponsor and Principal Trustee and an initial amount of Rs.1 lakh and additional amount of Rs. 24.99 Crore was settled as the trust corpus. Accordingly the Board of Trustees were vested with all the rights, duties and responsibilities vis-à-vis functioning of the Mutual Fund. The said Trust Deed has been registered under the Indian Registration Act, 1908 and the Mutual Fund was registered with SEBI on December 13, 1994 under Registration Code - MF/019/94/0.

Subsequently, on March 31, 2000, Principal Financial Services Inc., USA became the deemed sponsor (along with the IDBI) by acquiring 50% stake in IDBI-PRINCIPAL Asset Management Company Limited, where after and pursuant to the SEBI letter dated October 18, 2002 all rights, responsibilities and duties of the Board of Trustees were transferred in favour of IDBI- Principal Trustee Company Ltd. On June 23, 2003, Principal Financial Services Inc. USA became the sole sponsor by acquiring 100% stake in IDBI-PRINCIPAL Asset Management Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited (Principal Mauritius). Principal Mauritius thus became the sole settlor of the Fund and the name of the Asset Management Company and of the Trustee Company was changed respectively to Principal Asset Management Company Private Limited and Principal Trustee Company Pvt. Ltd. to reflect the change in ownership. In tune with the industry standards and practices, Principal Mauritius, the Settlor, maintains a corpus of Rs. 25 lakh in the Trust in place of the original contribution of Rs 1 lakh and additional contribution of Rs.24.99 crore vide execution of a supplemental trust deed dated April 16, 2004.

On May 5, 2004, Punjab National Bank (PNB) and Vijaya Bank (VB) became equity shareholders and they held equity shares to the extent of 30% and 5% respectively of the equity capital of both Principal Pnb Asset Management Company Private Limited (earlier name - Principal Asset Management Company Private Limited) and Principal Trustee Company Private Limited. Pursuant to this change in ownership, certain amendments were made to the Principal Mutual Fund vide Supplemental Trust Deed dated 5th May 2004, to reflect, amongst other amendments, the addition of Punjab National Bank and Vijaya Bank as the co-settlors to the Fund. Accordingly, Principal Mauritius, Punjab National Bank and Vijaya Bank had 65%, 30% and 5% rights, title, interest and obligations respectively as co-settlors to Principal Mutual Fund.

On June 27, 2014, Principal Mauritius acquired Vijaya Bank’s 4.03% and 5% stake respectively in Principal Pnb Asset Management Company Private Limited and Principal Trustee Company Private Limited. Pursuant to this change, Principal Mauritius and Punjab National Bank hold 70% and 30% rights, title, interest and obligations respectively as co-settlors to Principal Mutual Fund.

### **B. SPONSOR**

Principal Mutual Fund is sponsored by Principal Financial Services Inc., USA [acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Ltd.]. The Sponsor is the Settlor of the Mutual Fund Trust with Punjab National Bank as co-settlor. The Sponsor and co-settlor have entrusted a sum of Rs. 25 lakhs to the Trustee as the initial contribution towards the corpus of the Mutual Fund. Principal Financial Services Inc. is a member of the Principal Financial Group - a leading provider of financial products and services globally to businesses and individuals including retirement and investment services, Mutual Funds, life and health insurance, annuities and mortgage banking. Established in 1879, the Principal Financial Group has more than \$619.7 billion in assets under management and serves 21 million customers with offices in 19 countries throughout Asia, Australia, Europe, Latin America and North America (as on December 31, 2016). The business of Principal Financial Group (Mauritius) Limited, is to carry out business activities which are not prohibited under the Laws of Mauritius and the laws of the countries where the Company is transacting business and to do all such things as are incidental or conducive to the attainment of the above objects.

**Financial Performance of the Sponsor (past three years):**

*Condensed Financial Position of Principal Financial Group, Inc. (holding Company of Principal Financial Services Inc., USA)*

*(In Millions USD)*

<b>Particulars</b>	<b>December' 2016</b>	<b>December' 2015</b>	<b>December' 2014</b>
Net Worth	10,293.8	9,377.4	10,232
Total Income	12,394.1	11,964.4	10,554.8
Profit After Tax	1,316.5	1,209.3	1,111
Assets Under Management	591,600	527,400	519,300

Punjab National Bank (PNB) is a Scheduled Commercial Bank. PNB has a network of over 6,000 branches throughout India and offers a wide variety of banking services. With the said infrastructure, Principal Pnb Asset Management Company Private Limited has been in a position to leverage the far-reaching distribution network of PNB, including more than 6,000 combined retail and commercial banking branches throughout India, along with Principal's international expertise and its position as a recognized manager of mutual funds in India.

**C. TRUSTEE**

Principal Trustee Company Private Limited (the "Trustee"), through its Board of Directors, shall discharge its obligations as Trustee of the Principal Mutual Fund. The Trustee ensures that the transactions entered into by the Principal Pnb Asset Management Company Private Limited (AMC) are in accordance with the SEBI (Mutual Funds) Regulations, 1996 and will also review the activities carried on by the AMC.

Principal Trustee Company Private Limited (formerly IDBI-PRINCIPAL Trustee Company Limited), a company incorporated under the Companies Act, 1956 is the Trustee to the Fund with effect from October 18, 2002. Prior to October 18, 2002, Board of Trustees discharged the Trusteeship function of the Fund. The Trustee has the exclusive ownership of the Trust Fund and is vested with the general powers of superintendence, direction and management of the affairs of the Trust.

On June 23, 2003, Principal Financial Services Inc. USA acquired 100% stake in IDBI-PRINCIPAL Trustee Company Limited, through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited. Name of the Trustee Company was changed to Principal Trustee Company Private Limited, to reflect the change in ownership.

On May 5, 2004, Punjab National Bank and Vijaya Bank became equity shareholders of the Trustee Company and post this, Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank held 65%, 30% and 5% respectively of the paid up equity capital of the Trustee Company.

Subsequently, on June 27, 2014, Principal Financial Group (Mauritius) Limited acquired Vijaya Bank's 5% stake in Principal Trustee Company Private Limited. Accordingly, Principal Financial Group (Mauritius) Limited and Punjab National Bank hold 70% and 30% respectively of the paid up equity capital of the Trustee Company.

The Trustees have appointed SBI-SG as the Custodian and Karvy Computershare Pvt. Ltd. as the Registrar & Transfer Agent for all the schemes, existing as well as schemes to be launched from time to time.

The Trustee discharges the supervisory role by having a number of checks and balances besides having continuous feedback from the AMC on matters of importance and a review of the Mutual Fund's operations at the periodical meetings of the Board of Directors of the Trustee Company which are required to be held at least once in two calendar months as per the Regulations.

The Trustees shall also discharge the supervisory role by reviewing the internal audit report/compliance reports on a regular basis.

Six Board Meetings of the Trustee Company were held during the period April 1, 2016 to March 31, 2017 and two Board Meetings of the Trustee Company were held during the period April 1, 2017 to June 30, 2017.

**Details of Trustee Directors:**

Mr. V. S. Mathur	71 years  <i>M.A.</i>	Mr. Mathur was Director General, Systems - Income Tax Dept., in charge for setting up comprehensive nationwide computerization in the Income Tax Department. Currently he is on the Board of various companies including Emmson's International Ltd., Precision Fasteners Limited, Gujarat Foils Limited, BCausE Enterprise Private Limited and Mashobra Resort Limited.
Mr. H. M. Singh	84 years  <i>M.A. (Political Science)</i>	Mr. Singh is an Ex-Civil Servant. In his career spanning of 35 years with the Government of India he was posted in various functions. He is currently with Arya Offshore Services Private Ltd. - as an advisor for Shipping and Port Companies. He is also a Maritime Arbitrator.
Mr. Michael Pinto	74 Years  <i>BA (Pol Science), Univ of Madras; MA (Sociology), Univ of Delhi; MPA (Master of Pub Administration),(Harvard)</i>	Mr. Pinto has vast experience of approximately over 45 years. On his selection into the Indian Administrative Service (IAS) he joined the Government of India and served till his superannuation in 2003. The several assignments that he held during this tenure include: CEO - Maharashtra Industrial Development Corporation (MIDC), Vice-Chairman and Managing Director - Maharashtra State Road Transport Corporation, CMD - Handicrafts and Handlooms Export Corporation of India, Chairman - Central Cottage Industries Corporation (CCIC), MD - Maharashtra State Finance Corporation, Minister (Economic) - Embassy of India - Paris, Chairman - Maharashtra State Electricity Board, Director General (Shipping) - Govt. of India, Chairman - Jawaharlal Nehru Port and Secretary (Shipping) - Govt. of India. He has also served as Vice Chairman of the National Commission for Minorities in the rank and status of Union Minister of State. In addition to above, Mr. Pinto currently is on the Board of various companies including Infrastructure Leasing & Financial Services Ltd., Shapoorji Pallonji Forbes Shipping Ltd, Star Paper Mills Ltd, Ashoka Buildcon Ltd, Tolani Shipping Company Ltd and Sailors Welfare Association
Mr. O.V. Bundellu	67 Years  <i>M.Sc., MFM, CAIIB - I</i>	Mr. Bundellu was a Whole time Director on the Board of IDBI Bank Ltd and has 37 years of Commercial & Development Banking experience. Currently he is on the Board of various companies including Prabhat Dairy Pvt. Ltd., Scope T & M Pvt. Ltd. and Laxmi Organic Industries Ltd.
Ms. Tess Downey*	51 Years  Post Graduate Overseas Lawyer from Law Society of HK, Law Society of England & Wales, Post Graduate Practice Law Course, Law from Singapore Board of Legal Education, LLB (Hons), Law from National University of Singapore	Ms. Tess Downey has been associated with AIG and Prudential PLC UK as Vice President and Regional Director respectively in the field of legal and Developmental role. She is currently working with Principal International Asia Limited as Regional Counsel, Asia in the responsibility of Legal/ Compliance/ Company Secretary.

\* Associate Director in terms of SEBI Regulations.

## **Duties and Responsibilities of Trustees:**

1. The Trustees and the AMC shall, with the prior approval of SEBI, enter into an Investment Management Agreement.
2. The Investment Management Agreement shall contain such clauses as are mentioned in the Fourth Schedule of SEBI (Mutual Funds) Regulations, 1996 and such other clauses as are necessary for the purpose of making investments.
3. The Trustees shall have a right to obtain from the AMC such information as is considered necessary by the Trustees.
4. The Trustees shall ensure that before the launch of any scheme that the AMC has –
  - systems in place for its back office , dealing room and accounting;
  - appointed all key personnel including Fund Manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the Trustees, within 15 days of their appointment;
  - appointed auditors to audit its accounts;
  - appointed a Compliance Officer to comply with regulatory requirements and for redressal of investor's grievances;
  - appointed registrars and laid down parameters for their supervision;
  - prepared a compliance manual and designed internal control mechanisms including internal control mechanisms including internal audit systems;
  - obtained wherever required under the regulations prior-in principle approval from the Stock Exchange(s) where units are proposed to be listed.
- 4(A) The Trustees shall ensure that the Compliance Officer appointed immediately and independently reports to SEBI any non – compliance observed by him.
5. The Trustees shall ensure that an AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
6. The Trustees shall ensure that the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to interest of the unitholders.
7. The Trustees shall ensure that the transactions entered into by the AMC are in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the scheme.
8. The Trustees shall ensure that the AMC has been managing the Mutual Fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the AMC.
9. The Trustees shall ensure that all the activities of the AMC are in accordance with the provisions of the SEBI (Mutual Funds) Regulations, 1996.
10. Where the Trustees have reason to believe that the conduct of business of the Mutual Fund is not in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the scheme, they shall forthwith take such remedial steps as are necessary by them, and shall immediately inform SEBI of the violation and the action taken by them.
11. Each Trustee shall file the details of his transactions (exceeding R1 lakh) of dealing in securities with the Mutual Fund on a quarterly basis.
12. The Trustees shall be accountable for and be the custodian of the Funds and property of the respective schemes and shall hold the same in trust for the benefit of the unitholders in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the provisions of trust deed.
13. The Trustees shall take steps to ensure that the transactions of the Mutual Fund are in accordance with the provisions of the trust deed and SEBI Regulations.
14. The Trustees shall be responsible for the calculation of any income due to be paid to the Mutual Fund and also of any income received in the Mutual Fund for the holders of the units of any scheme in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the trust deed.
15. The Trustees shall obtain the consent of the Unitholders –
  - a) whenever required to do so by SEBI in the interest of the unitholders; or
  - b) whenever required to do so on the requisition made by three fourths of the unitholders of any scheme; or
  - c) when the majority of the Trustees decide to wind up or prematurely redeem the units;
- 15(A) The Trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless –

- a) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
  - b) the unitholders are given an option to exit at the prevailing load Net Asset Value without any exit load.
16. The Trustees shall call for the details the details of transactions in securities by the Key Personnel of the AMC in his own name or on behalf of the AMC and shall report to SEBI, as and when required.
  17. The Trustees shall quarterly review all transactions carried out between the Mutual Fund, AMC and its associates.
  18. The Trustees shall review the net worth of the AMC on a quarterly basis and in case of any shortfall, ensure that the AMC make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21 of SEBI (Mutual Funds) Regulations, 1996.
  19. The Trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and verify it that such contracts are executed in the interest of the unitholders.
  20. The Trustees shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the AMC and the interest of the unitholders.
  21. The Trustees shall periodically review the investor complaints received and the redressal of the same by the AMC.
  22. The Trustees shall abide by the Code of Conduct as specified in the Fifth Schedule of SEBI (Mutual Funds) Regulations, 1996.
  23. The Trustees shall furnish to SEBI on a half yearly basis –
    - a) a report on the activities of the Mutual Fund;
    - b) a certificate stating that the Trustees have satisfied themselves that there have been no instances of self dealing or front running by any of the Trustees, Directors and Key Personnel of the AMC;
    - c) a certificate to the effect that the AMC has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub-regulation (2) of regulation 24 of SEBI (Mutual Funds) Regulations, 1996 have been undertaken by the AMC and has taken adequate steps to ensure that the interest of the unitholders are protected.
  24. The Independent Trustees referred to in sub-regulation (5) of regulation 16 of SEBI (Mutual Funds) Regulations, 1996 shall give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of group companies of the Sponsor.
  25. The Trustees shall not acquire nor allow the AMC to acquire any assets out of the Trust Fund and/or unit capital, which involves the assumption of unlimited liability or results in the encumbrances of Trust Fund, and/ or Unit Capital in any way.
  26. The Trustees shall maintain arms' length relationship with companies, institutions, financial intermediaries or bodies corporate with which the Trustees may be associated in any capacity in carrying out their responsibilities as the Trustees of the Mutual Fund.
  27. The Trustees shall not participate in any decision-making process/ resolution of its Board for any investment in which they may be interested.
  28. All of the Trustees shall furnish to SEBI, the interest which they may have in any other company, or institution or financial intermediary or any corporate by virtue of his/her position as Director, partner or with which he/she may be associated in any other capacity.
  29. No amendments to the trust deed shall be carried out without the prior approval of SEBI and unitholder's approval / consent would be obtained where it affects the interests of unitholders as per the procedure / provisions laid down in the Regulations.

Trustees shall exercise due diligence as under:

### ***General Due Diligence***

- a) The Trustees shall be discerning in the appointment of the Board of Directors of the AMC.
- b) The Trustees shall review the desirability or continuance of AMC if substantial irregularities are observed in any of the schemes and shall not allow the AMC to float new schemes.
- c) The Trustees shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
- d) The Trustees shall ensure that all service providers are holding appropriate registrations from SEBI or concerned regulatory authority.
- e) The Trustees shall arrange for test checks of service contracts.
- f) The Trustees shall immediately report to SEBI of any special developments in the Mutual Fund.

### ***Specific Due Diligence***

The Trustees shall

- a) Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees.
  - b) Obtain compliance certificates at regular intervals from the AMC.
  - c) Hold meeting of Trustees more frequently.
  - d) Consider the reports of the independent auditor and compliance reports of AMC at the meetings of Trustees for appropriate action.
  - e) Maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings.
  - f) Prescribe and adhere to a code of ethics by the Trustees, AMC and its personnel.
  - g) Communicate in writing to the AMC of the deficiencies and checking the removal of deficiencies.
30. Notwithstanding anything contained herein above from points (1) to (29) the Trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
31. The Trustees shall pay specific attention to the following as may be applicable, namely -
- a) The Investment Management Agreement and the compensation paid under the agreement.
  - b) Service contracts with affiliates - whether the AMC has charged higher fees than outside contractors for the same services.
  - c) Selection of the AMC's independent directors.
  - d) Securities transactions involving affiliates to the extent such transactions are permitted.
  - e) Selecting and nominating individuals to fill Independent Director's vacancies.
  - f) Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
  - g) The reasonableness of the fees paid to the sponsors, AMC and any other for services provided.
  - h) Principal underwriting contracts and the renewals.
  - i) Any service contract with the associates of the AMC.

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## **D. ASSET MANAGEMENT COMPANY**

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Principal Pnb Asset Management Company Private Limited (AMC) is a private limited company incorporated under the Companies Act, 1956 on November 20, 1991 having its Registered Office at Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, India. Principal Pnb Asset Management Company Private Limited has been appointed as the Asset Management Company of the Principal Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated November 25, 1994 executed between Trustee and AMC.

AMC has been granted approval by SEBI to function as an Asset Management Company of Principal Mutual Fund, and shall be responsible, inter alia, for the following:

1. Launching and operating various schemes of the Mutual Fund;
2. Performing Investment Management functions for various schemes of the Mutual Fund;



3. Ensuring that the investment of the assets pertaining to any scheme is made in accordance with the provisions of the SEBI Regulations and the Trust Deed including Supplemental Trust Deed thereto;
4. Ensuring that adequate disclosures are made to the unitholders and to SEBI.

Besides the offering and management of Schemes of Principal Mutual Fund, the AMC may undertake activities in the nature of management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the mutual fund in line with SEBI (Mutual Funds) Regulations, 1996.

AMC has been registered as a Portfolio Manager under the provisions of SEBI (Portfolio Manager) Regulations, 1993 vide SEBI Registration no. INP000000951. AMC has ensured that the key personnel of the AMC, the systems, back office, bank and securities accounts have been segregated activity wise and there exists systems to prohibit access to inside information of various activities. Further, the AMC has ensured that it meets with the capital adequacy requirements as mentioned in the Regulations separately for each of the activities.

SEBI has vide letter No. IMD/MHS/37746/2005 dated April 5, 2005 granted no objection to AMC for undertaking activities which are in the nature of advisory services to offshore funds, venture capital funds, financial consultancy and exchange of research pertaining to securities.

The AMC can be terminated by a majority of the Trustees or 75% of the unitholders in the Fund opting so, subject to scrutiny and approval of SEBI.

The present share holding pattern of the AMC is as follows:

Name of the Shareholder	% of equity capital
Principal Financial Group (Mauritius) Limited	78.62
Punjab National Bank	21.38

**Details of AMC Directors:**

Name	Age / Qualification	Brief Experience
Mr. Mukund M. Chitale	67 Years  <i>B.Com, Chartered Accountant</i>	Mr. Chitale is a practicing Chartered Accountant since 1972 and is a partner with Mukund M. Chitale & Co. - Chartered Accountants. He is on Board of various companies including Larsen & Toubro Ltd., Ram Ratna Wires Limited, Itz Cash Card Ltd., ONGC Mangalore Petrochemicals Ltd., ONGC Petro Additions Ltd., Essel Propack Limited, Asrec (India) Ltd., L&T General Insurance Company Limited, Larsen & Toubro Infotech Limited, Mukund M. Chitale & Co. and Atul Limited.
Mr. Lalit Vij*	52 years  <i>B.Com (Honours), Chartered Accountant</i>	Mr. Vij is the Managing Director at Principal Pnb Asset Management Co. Pvt. Ltd. and responsible for overall operations of the company.  Mr. Vij has over 25 years of work experience spread across multiple disciplines mainly in Financial Service Industry. Prior to this appointment, he was the Managing Director of Principal Global Services Pvt. Ltd. and was responsible for setting up and growing the global in-house centre for IT & back office operations of Principal Financial Group's global businesses.  Mr. Vij serves as a director on the board of Principal Global Services Pvt. Ltd.

Mr. Rustam Gagrat	57 years  <i>M.A., Advocate, Solicitor</i>	Mr. Rustam Gagrat is a Partner in Gagrats, a leading law firm in Mumbai and Gagrat & Co., New Delhi. He has over 26 years' experience as an Advocate and Solicitor. Mr. Gagrat is also a Director on the Board of various other companies including Blue Rose Properties Private Limited and Indo Aden Salt Mfg and Trading Company Private Limited . He is an Advocate of the Supreme Court of India, a Solicitor of the Supreme Court of England and holds a Master of Arts degree from Cambridge University.
Mr. Madhukar M. Kamath	58 years  <i>B. Com, FCA, FCS</i>	Mr. Kamath has over 28 years of experience in the Industry specially in the field of project approval and implementation, Investment Advisory, dealing with regulatory authorities, preparation of project reports, handling bankers, financing and administration and management activities. Mr. Kamath, has been handling Foreign Direct Investment projects since last 10 years and has been instrumental in helping many multinationals for implementing projects in India. He has won awards for successful implementation and for excellent performance in Project Management.  Presently, Mr. Kamath is acting as an advisor to Tessitura Monti India Pvt. Ltd.. Mr. Kamath is also Director on Board of various companies including Dialogue Trading and Consultancy Pvt. Ltd., Madhushree Securities LLP, Allright Business Services Pvt. Ltd., Allright Consultancy Pvt. Ltd. And K.T Cimpex Pvt. Ltd.
Mr. Vimlesh Kumar*	55 Years  <i>BE (Electrical Engineering)</i>	Mr. Vimlesh Kumar has been associated with Punjab National Bank at various levels and has a vast experience in the fields of Credit Appraisal and as Branch Head. Mr. Kumar is currently working as a Circle Head at Punjab National Bank, Mumbai. Mr. Kamath is also Director on Board of various companies including Sujana Metals Products Limited and Maharashtra Shetkari Sugar Limited.
Mr. Pedro Borda*	56 Years Master in Finance, Bachelor in Administration, specialization in Agriculture Businesses	Mr. Pedro Borda has been associated with Principal Financial Group as well as CIMB Principal Asset Management Berhad in the position of Country Head and CEO respectively. He is currently working with Principal International South Asia Sdn Bhd as Vice President, South Asia and India. Mr. Borda is also a Director on the Boards of various Companies including Principal Consulting (India) Private Limited, Principal Retirement Advisors Private Limited, CIMB - Principal Asset Management Company Berhad, CIMB - Principal Asset Management Company Limited (Thailand), CIMB - Principal Islamic Asset Management Sdn Bhd, PT CIMB - Principal Asset Management, Finansa Asset Management Company, Principal Financial Group (Mauritius) Limited and Principal International (Asia) Limited.

\* Associate Directors in terms of SEBI Regulations.

## **Duties and Responsibilities of AMC:**

1. The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed.
2. The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
- 2A. The AMC shall obtain wherever required under the regulation, prior in principle approval from recognised Stock Exchange(s) where units are proposed to be listed.
3. The AMC shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the AMC.
4. The AMC shall submit to the Trustees quarterly reports of each year on its activities and the compliance with SEBI (Mutual Funds) Regulations, 1996.
5. The Trustees at the request of the AMC may terminate the assignment of the AMC at any time. Provided that such termination shall become effective only after the Trustees have accepted the termination of assignment and communicated their decision in writing to the AMC.
6. Notwithstanding anything contained in any contract or agreement of termination, the AMC or its Directors or other officers shall not be absolved of liability to the Mutual Fund for their acts of commission or omission, while holding such position or office.
- (a) The Managing Director of the asset management company shall ensure that the mutual fund complies with all the provisions of SEBI (Mutual Funds) Regulations, 1996 and that the investments made by the fund managers are in the interest of the unitholders and shall also be responsible for the overall risk management function of the mutual fund.
- (b) The Fund manager/s shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unitholders
7. (a) The AMC shall not through any broker associated with the Sponsor, purchase or sell securities, which on an average is 5% or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes.

Provided that for the purpose of this provision, aggregate purchase and sale shall exclude sale and distribution of units issued by the Mutual Fund

Provided further that the aforesaid limit of 5% shall apply for a block of any three months.

- (b) The AMC shall not purchase or sell securities through any broker (other than a broker referred to clause (a) of (7) above) which is on an average of 5% or more of the aggregate purchase and sale of securities made by the Mutual Fund in all its Schemes, unless the AMC has recorded in writing the justification for exceeding the limit of 5% and reports of all such Investments are sent to the Trustees on a quarterly basis. Provided that the aforesaid limit of 5% shall apply for a block of 3 months.
8. The AMC shall not utilize the services of the Sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that an AMC may utilize such services if disclosure to that effect is made to the unitholders and the brokerage or commission paid is also disclosed in the half yearly and annual accounts of the Mutual Fund.

Provided further that the Mutual Fund shall disclose at the time of declaring half –yearly and yearly results:

- any underwriting obligations undertaken by the schemes of the Mutual Fund with respect to issue of securities of associate of companies,
  - devolvement, if any
  - subscription by the schemes in the issues lead managed by associate companies.
  - subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies has acted as arranger or manager.
9. The AMC shall file with the Trustees the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to SEBI, as and when required by SEBI.
  10. In case the AMC enters into any Securities transactions with any of its associates a report to that effect shall be sent to the Trustees at its next meeting.
  11. In case any company has invested more than 5 percent of the NAV of a scheme, the investment made by that scheme or by any other scheme of the Mutual Fund in that company or its subsidiaries shall be brought to the notice

of the Trustees by the AMC and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment, provided the latter investment has been made within one year of the date of the former investment calculated on either side.

12. The AMC shall file with the Trustees and SEBI:

- Detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment;
- Any change in the interest of directors every six months; and
- A quarterly report to the Trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the AMC as the case may be, by the Mutual Fund during the quarter.

13. Details of Transactions of dealing in securities of the Directors of the AMC shall be filed with the Trustees on a quarterly basis in accordance with the guidelines issued by SEBI in this regard.

14. The AMC shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.

15. The AMC shall appoint Registrars and Share Transfer Agents who are registered with SEBI. Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rate higher than the competitive market rates, prior approval of the Trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.

16. The AMC shall abide by the Code of Conduct as specified in the Fifth Schedule of SEBI (Mutual Funds) Regulations, 1996.

**Information on Key Personnel:**

<b>Name / Designation</b>	<b>Age / Qualification</b>	<b>Brief Experience</b>
<b>Mr. Lalit Vij</b> <i>Managing Director</i>	52 years <i>B.Com (Honours), Chartered Accountant</i>	Mr. Lalit Vij has over 25 years of work experience spread across multiple disciplines mainly in Financial Service industry. Prior to this appointment, he was the Managing Director of Principal Global Services Pvt. Ltd. and was responsible for setting up & growing the in-house centre for IT & back office operations of Principal Financial Group's global businesses.
<b>Mr. Rajat Jain</b> <i>Chief Investment Officer</i>	54 years <i>B.E. (Mech), PGDM</i>	Mr. Jain is currently the Chief Investment Officer at AMC. In his current role he oversees investments of Principal Mutual Fund and the overall portfolio strategy. He has over 27 years of experience in Investment Management at Mutual Funds out of which last 16 year's being associated with Principal Mutual Fund. In his previous assignment he was associated with SBI Mutual Fund as the Chief Investment Officer.
<b>Mr. Hariharan Iyer</b> <i>Head – Operations and Customer Service</i>	44 years <i>Masters in Marketing Management, Associate of Insurance Institute of India</i>	Mr. Iyer has over 20 years of experience in role of network management, Customer Services and process management in Mutual Fund and Transfer Agency. In his previous assignment he was associated with Deutsche Investor Services Pvt. Ltd and prior to that he was also associated with Birla Sun Life Asset Management Co. Ltd, ING Investment Management Co. (I) Pvt. Ltd. and HDFC Asset Management Company Limited.
<b>Ms. Richa Parasrampur</b> <i>Head-Compliance</i>	33 years <i>C.S., LLB</i>	Ms. Parasrampur has over 10 years of experience in Asset Management Compliance. Prior to joining Principal Pnb Asset Management Company Pvt. Ltd, she has worked with JPMorgan Asset Management India Pvt. Ltd., Reliance Capital Asset Management Ltd. and Standard Chartered Asset Management Co. Pvt. Ltd.
<b>Mr. P.V.K Mohan</b> <i>Head- Equity</i>	52 years <i>B.Tech, PGDM</i>	Mr. Mohan has over 20 years of experience in equity research and fund management. In his previous assignments he has been associated with ICICI

		Prudential Mutual Fund, DSP BlackRock Mutual Fund and IL&FS Mutual Fund.
<b>Mr. Dhimant Shah</b> <i>Senior Fund Manager - Equity</i>	49 years  <i>B Com, ACA</i>	Mr. Shah has more than 19 years of experience in stock market. Prior to joining Principal Mutual Fund, Mr. Shah was working as a Fund Manager in HSBC Asset Management (India) Private Ltd. He has also worked with Reliance Capital Asset Management Ltd. (PMS), ASK Raymond James Securities Pvt. Limited & IL&FS Asset Management Co. Pvt. Ltd (now known as UTI Asset Management Company Ltd).
<b>Ms. Bekxy Kuriakose</b> <i>Head – Fixed Income</i>	39 years  <i>B.A(Honours) in Economics, PGDM IIM Bangalore</i>	Ms. Kuriakose has over 17 years of experience in dealing, research and fund management. In her previous assignments she has worked with L&T Mutual Fund as AVP (Fixed Income) handling all fixed income funds, Reliance Life Insurance as Fund Manager (Fixed Income) and SBI Mutual as Fund Manager for debt schemes.
<b>Mr. Pankaj Jain</b> <i>Sr. Fund Manager</i>	36 years  <i>B.E. (Mech), PGDM, IIM Bangalore</i>	Mr. Pankaj Jain has more than 12 years of experience in Indian Markets. Prior to joining Principal Mutual Fund, he was associated with Taurus Mutual Fund as Fund Manager - Fixed Income, managing debt schemes including Liquid, Short Term, Dynamic and other schemes. In his previous assignments he has been associated with Edelweiss Mutual Fund, Edelweiss Capital and State Bank of India (Treasury).
<b>Mr. Gurvinder Singh Wasan, CFA</b> <i>Fund Manager</i>	36 years  <i>MCOM, Chartered Accountant and CFA</i>	Mr. Wasan has more than 13 years of experience in Fixed Income Markets, Credit Analysis and Structured Finance. Prior to joining Principal Mutual Fund, he has worked with Crisil Ltd. and ICICI Bank Ltd.
<b>Ms. Rupali Pandit</b> <i>Dealer-Equity</i>	45 years  <i>B.Com, Chartered Accountant(Intermediate)</i>	Ms. Pandit has more than 18 years of experience in Equity Dealing and liasoning with the Brokers. Prior to joining Principal Mutual Fund, Ms. Pandit has been associated with ABN AMRO Asset Management (India) Limited, IL&FS Asset Management Company Limited, GIC Mutual Fund as an Equity Dealer.
<b>Mr. Madhusudan Subramanian</b> <i>Head - Product Strategy &amp; Management</i>	46 years  <i>B.E., NIT Trichy, PGDBA from NMIMS, MBA, Chicago Booth. Madhusudan holds the CFA and CAIA designations.</i>	Mr. Madhusudan has over 18 years of experience in the fields of Global Equity research, New product development and Risk Analytics. In his previous assignment he was associated with MSCI as Executive Director overseeing the Quantitative Equity Research and new product development functions. His prior assignments include being associated with American Express India Pvt Ltd as Director, Risk Analytics and Risk Solutions Specialist at SAS India Pvt Ltd.
<b>Mr. Prateek Jain</b> <i>Debt Dealer</i>	27 years  <i>M Com &amp; BMS from Mumbai University</i>	Mr. Prateek has over 6 years of work experience in Indian capital markets with more than 5 years of experience in managing various aspects related to Fixed Income Dealing. Prior to joining Principal Pnb Asset Management Company Private Limited he worked in investment banking with Taurus Corporate Advisory Services and prior to that as risk officer with Edelweiss Capital

<p><b>Mr. Gaurav Goyal</b> <i>National Head– Retail Sales</i></p>	<p>42 Years B.Sc , MMS</p>	<p>17 Years of experience in Financial services in sales and distribution. He has been involved in launching and setting up multiple locations, new product launches and multiple distribution channels in his previous assignments. He has worked with HDFC Bank, Citi Financial, ICICI Prudential life Insurance and IDBI capital in various positions in sales and distribution.His last assignment was with ICICI Prudential Asset Management as Vice-President and was working as Head-IFA Channel &amp; Investor Education. In his role as National Head- Retail Business he is responsible for Pan India Retail distribution channels &amp; Retail initiatives.</p>
<p><b>Mr. Suren Kochhar</b> <i>National Head - Corporate Sales</i></p>	<p>43 Years B.Com. (Hons.)</p>	<p>Mr. Suren Kochhar has over 22 years of experience with the Financial Services Sector with over 17 Years with the Mutual Fund Industry. He has a wide exposure to Sales &amp; Distribution in Business to Business and Business to Client segment. In his previous assignments he was associated with Fortis Investment Management (India) Private Limited as Head-Sales, India (erstwhile ABN AMRO Asset Management (India) Limited and Now BNP Paribas Asset Management India Private Limited) and with Kotak Mahindra Asset Management Company Ltd. as Vice President &amp; Regional Manager-Retail Sales,North.</p>
<p><b>Mr. Ragesh Renganathan</b> <i>Head - Fund Accounting</i></p>	<p>37 Years B.Com, CA, CISA</p>	<p>Ragesh Renganathan, Head - Fund Accounting, is responsible for the Fund Accounting activities. He has an overall experience of over 16 years with around 8 years' experience in Asset Management Industry with Franklin Templeton MF managing the Fund Administration and the NAV functions. Holds a Bachelor degree in Commerce from University of Madras, a Fellow Member of Institute of Chartered Accountants of India and a Certified Information Systems Auditor from ISACA, Illinois, USA.</p>

The research team comprising of the following members supports the Fund Manager(s)

Sr. No.	Name	Experience
<b>Equity</b>		
1.	Mr. Siddarth Mohta	Over 8.5 years of experience as an Analyst/Finance Manager
2.	Mr. Ashish Agrawal	Over 12 years of experience in Equity Research. Out of this, for 11 years worked with Sell Side including IL&FS Investsmart and Tata Securities.
3.	Ms. Chandana Jha	Over 10 years of experience in Equity Research.
4.	Mr. Jimesh Sanghavi	Over 12 years' experience as an Equity Research Analyst handling multiple sectors.
<b>Debt</b>		
1.	Mr. Gurvinder Singh Wasan	Over 9 years of experience in Banking and Structured Finance research function. In addition to his responsibilities as Fund Manager in the Fixed Income area he also does Credit Research for the fund.

## **Procedure followed for Investment decisions**

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

### **Debt – Decision making process:**

The debt team comprises of the Head- Fixed Income, Fund Managers, Credit Analyst & Dealer. Scheme wise responsibilities are allocated to the Fund Managers who are responsible for the performance and risk management of the schemes under his/her management. Role of Credit Analysts is to analyze and monitor credit risk of all companies in which the fund is investing or propose to invest. The dealer executes the trading mandates and enters deals in system and liaisons with back office and brokers. He also in consultation with fund managers deploys day to day cash surpluses and takes care of liquidity requirements of all schemes. A Committee comprising of Managing Director, Chief Investment Officer (CIO), Chief Financial Officer and Debt Fund Managers has been constituted to approve the companies/issuers carrying credit risk. The investment proposals in specified format are put up before the committee for their approval. The Fund Managers can invest only in those credits that have been approved by the Committee. Such approvals are kept to record the decision taken at the credit committee meeting. In case of unrated papers, same are circulated to AMC board and Board of Trustees for their approval before making an investment. No specific approval is required for investment in government securities and Treasury Bills.

### **Equities – Decision making process:**

Equity team comprises of Head – Equity, Fund Manager, Equity Analysts & Dealer. The Fund Manager holds charge of the schemes under his management. He is responsible for the performance of the schemes under him. Analysts have responsibilities for specific sectors and it is their duty to provide the fund managers with well researched opinions on the companies and the sectors they track. The dealer executes the trading mandates that are passed onto him with a view to getting the best execution in terms of price and quantity. The analysts/fund managers meet companies, if possible at one on one meetings or at analyst/fund manager meets. Equity group meets once a week to discuss the following;

1. Presentations on all the companies met during the past week;
2. Review of the portfolio and action to be taken
3. Review of the sectors by the analysts.

The analysts/fund manager prepares a report (research report) on the companies they have covered.

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## **E. SERVICE PROVIDERS**

### **Custodian**

**Name:** SBI-SG Global Securities Services Private Limited (SBI-SG)

**Address:** Jeevan Seva Annexe, LIC Complex, S V Road, Santacruz (West), Mumbai-400 054

**SEBI registration number:** IN/CUS/022

The Custodian shall hold the custody and possession of the securities and investments of the scheme and will discharge all functions as are ordinarily discharged by a depository institution. It does not have any power or authority to sell or dispose of or deal with the securities/investments held by it on behalf of the Fund except as instructed by the AMC and permissible regulations in this regard.

The AMC reserves the right to change the custodian, if required.

The salient features of the Custodian Agreement with SBI-SG are as under:

- Keeping in safe custody all the securities and such other instruments belonging to the Scheme segregated from the other assets of the custodian and from the assets of other clients of the Custodian and shall be held in the name of the Trustee(s) a/c., or in such other manner as may be mutually agreed.
- Ensuring the smooth inflow/outflow of securities and such other instruments as and when necessary, in the best interests of the unitholders.

- Ensuring that the benefits due to the holdings are recovered.
- Responsibility for loss of /or damage to the securities due to fraud, bad faith, negligence, willful neglect, default or willful default on its part or on the part of its approved agents.

The Custodian will charge the Fund a fee in accordance with the terms of the Custodian Service Agreement entered into between the Custodian and the Mutual Fund.

### **Registrar & Transfer agent and Dividend Paying Agent**

**Name:** Karvy Computershare Pvt. Ltd

**Address:** Karvy Computershare Private Limited (Unit: PMF), 'Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal | Hyderabad - 500032

**SEBI registration number:** INR000000221

The Board of the Trustees and AMC have ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching statement of account to unitholders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints. As Registrar to the Scheme, the Registrar will accept and process unitholders applications and advise the AMC as to the amounts received for subscriptions (duly reconciled) during the New Fund Offer period and also during the ongoing subscription period. They will also handle communications with unitholders, unitholder's grievances, perform data entry services and dispatch Account Statement, or any instrument, received on processing redemption/repurchase/switch requests after the close of the initial offer, and/or such other activities as may be deemed appropriate by AMC. They will also maintain an updated, accurate form for the register of unitholders of the Fund and other records as may be required by SEBI Regulations and the laws of India.

The Registrar is thus responsible for carrying out the functioning as Registrar and Transfer Agent set out in the agreement entered into with it and as per any modifications from time to time. The Registrar will be entitled to remuneration for its services as per the terms of the Registrar's Agreement. The AMC has the right to change the Registrar and Transfer Agent for any or all of the schemes that may be floated by the Fund. The unitholders will then be informed accordingly.

AMC may engage other service providers for carrying out such other activities as may be deemed appropriate from time to time.

### **STATUTORY AUDITOR FOR MUTUAL FUND**

**M/s Haribhakti & Co.,** Chartered Accountants

**Address:** 705, Leela Business Park, Andheri Kurla Road, Andheri (E), Mumbai – 400 059

**M/s Haribhakti & Co.,** Chartered Accountants, have been appointed as the auditors for all the schemes of Principal Mutual Fund.

### **Legal Counsel**

The Fund has an in-house Legal function. However, as and when required opinion or advice is sought from external legal counsel/law firm.

### **Fund Accountant**

Fund Accounting function has been outsourced to SBI-SG Global Securities Services Private Limited (SBI-SG), the address of whom is stated here below:

Jeevan Seva Annexe, LIC Complex, S V Road, Santacruz (West), Mumbai-400 054



**Collecting Bankers (For New Fund Offer)**

Name, Address and SEBI Registration Number

<b>Name of the Collecting Banker</b>	<b>Address</b>	<b>SEBI Registration No</b>
Punjab National Bank	PNB House, P.M. Road, Fort, Mumbai 400001	INBI00000084
IDBI Bank Limited	Mittal Tower, 'C' Wing, Gr. Floor, Nariman Point, Mumbai 400021	INBI00000076
Kotak Mahindra Bank Limited	5C/II Mittal Court, 224, Nariman Point, Mumbai- 400 021	INBI00000927
Standard Chartered Bank	270, D N Road, Fort, Mumbai 400001.	INBI00000885
Citibank N.A.	Fort House, 4th Floor, Unit No. 1, 224, Dr. D.N. Road, Fort, Mumbai 400 001.	INBI00000037
HDFC Bank Ltd.	Maneckjiwadia Building, Nanik Motwani Marg, Mumbai 400 023.	INBI00000063
Axis Bank Ltd.	3 <sup>rd</sup> Floor, Trishul, Opp. Samaratheswar Temple, Law Garden, Ellis Bridge, Ahmedabad 380006	INBI00000017

The AMC may appoint or remove any Collection Banker for any of the schemes of Principal Mutual Fund.

**SECTION II- Condensed Financial Information (CFI) for all the schemes launched by MF during the last three fiscal years (Excluding redeemed schemes):**

**1. Principal Pnb Fixed Maturity Plan – Series B16 (A Close-ended Debt Scheme offering Fixed Maturity Plan having maturity of 1094 Days)**

Date of Inception: April 30, 2014

Historical Per Unit Statistics	Fiscal Year 2016-2017				Fiscal Year 2015-2016				Fiscal Year 2014-2015			
	Regular		Direct		Regular		Direct		Regular		Direct	
	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option
NAV at the beginning of the year (as on April 1)	11.8546	11.8546	11.9916	11.9916	10.988	10.988	11.0485	11.0485	--	--	--	--
Dividends												
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--	--	--	--	--	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--	--	--	--	--	--	--	--	--
NAV at the end of the year (as on March 31)	12.7447	12.7447	12.9567	12.9567	11.8546	11.8546	11.9916	11.9916	10.988	10.988	11.0485	11.0485
Scheme Return (Annualised **)	--	7.51	--	8.05	--	7.86	--	8.51	--	9.88	--	10.49
Scheme Benchmark	CRISIL Short-Term Bond Fund Index											
Scheme Benchmark Returns	--	9.10	--	9.10	--	8.44	--	8.44	--	9.56	--	9.56
Standard Benchmark	CRISIL 10 Year Gilt Index											
Standard Benchmark Returns	--	11.87	--	11.87	--	7.95	--	7.95	--	13.92	--	13.92
Net Assets at the end of the period (Rs Crs.)	0.12	17.04	0.08	8.86	0.11	15.85	0.07	8.20	0.10	14.69	0.07	7.55
Ratio of Recurring expenses to net assets	0.58%		0.08%		0.69%		0.09%		0.65%		0.05%	

**2. Principal Pnb Fixed Maturity Plan – Series B17 (A Close-ended Debt Scheme offering Fixed Maturity Plan having maturity of 729 Days)**

Date of Inception: May 13, 2014

Historical Per Unit Statistics	Fiscal Year 2016-2017				Fiscal Year 2015-2016				Fiscal Year 2014-2015			
	Regular		Direct		Regular		Direct		Regular		Direct	
	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option
NAV at the beginning of the year (as on April 1)	--	11.7026	10.7241	11.7175	--	10.7996	10.8044	10.8044	--	--	--	--
Dividends												
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--	--	--	0.61983531	--	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--	--	--	0.66902116	--	--	--	--	--
NAV at the end of the year (as on March 31)	--	12.6704	11.6197	12.696	--	11.7026	10.7241	11.7175	--	10.7996	10.8044	10.8044
Scheme Return (Annualised **)	--	8.27	--	8.35	--	8.34	--	8.43	--	8.00	--	8.04
Scheme Benchmark	CRISIL Short-Term Bond Fund Index											
Scheme Benchmark Returns	--	9.10	--	9.10	--	8.44	--	8.44	--	9.05	--	9.05
Standard Benchmark	CRISIL 10 Year Gilt Index											
Standard Benchmark Returns	--	11.87	--	11.87	--	7.95	--	7.95	--	13.26	--	13.26
Net Assets at the end of the period (Rs Crs.)	--	17.15	0.09	11.45	--	15.84	0.09	10.57	--	35.66	0.09	21.53
Ratio of Recurring expenses to net assets	0.24%		0.17%		0.23%		0.16%		0.10%		0.05%	

### 3. Principal Index Fund – Midcap (An Open Ended Index Scheme)

Date of Inception: May 12, 2014

Historical Per Unit Statistics	Fiscal Year 2016-2017				Fiscal Year 2015-2016				Fiscal Year 2014-2015			
	Regular		Direct		Regular		Direct		Regular	Direct	Regular	Direct
	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option	Dividend Option	Growth Option
NAV at the beginning of the year (as on April 1)	14.081	14.081	14.2177	14.2177	14.2896	14.2896	14.3564	14.3564	--	--	--	--
Dividends												
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--	--	--	--	--	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--	--	--	--	--	--	--	--	--
NAV at the end of the year (as on March 31)	18.8750	18.8750	19.1539	19.1539	14.0810	14.0810	14.2177	14.2177	14.2896	14.2896	14.3564	14.3564
Scheme Return (Annualised **)	--	34.05	--	34.72	--	-1.46	--	-0.96	--	42.9	--	43.56
Scheme Benchmark	Nifty Free Float Midcap 100 Index											
Scheme Benchmark Returns	--	34.85	--	34.85	--	-1.91	--	-1.91	--	43.62	--	43.62
Standard Benchmark	NIFTY 50 Index											

rk												
Standard Benchmark Returns	--	18.55	--	18.55	--	-8.86	--	-8.86	--	21.05	--	21.05
Net Assets at the end of the period (Rs Crs.)	0.10	1.71	0.08	1.27	0.05	1.54	0.25	6.38	0.65	3.25	0.23	9.95
Ratio of Recurring expenses to net assets	1.00%		0.50%		1.00%		0.50%		1.00%		0.48%	

#### 4. Principal Asset Allocation Fund of Funds - Moderate Plan (An Open Ended Fund of Funds Scheme)

Date of Inception: December 15, 2015

Historical Per Unit Statistics	Fiscal Year 2016-2017		Fiscal Year 2015-2016	
	Regular	Direct	Regular	Direct
	Growth Option	Growth Option	Growth Option	Growth Option
NAV at the beginning of the year (as on April 1)	9.8975	9.9222	--	--
Dividends				
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--
NAV at the end of the year (as on March 31)	11.3732	11.4811	9.8975	9.9222
Scheme Return (Annualised **)	14.91	15.71	--	--
Scheme Benchmark	60% CRISIL Short Term Bond Fund Index & 40% Nifty 50 Index			
Scheme Benchmark Returns	15.35	15.35	--	--
Standard Benchmark	CRISIL 10 Year Gilt Index			
Standard Benchmark Returns	--	11.87	--	3.97
Net Assets at the end of the period (Rs Crs.)	0.89	0.40	2.50	1.30

Ratio of Recurring expenses to net assets	0.85%	0.20%	0.93%	0.37%
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### 5. Principal Asset Allocation Fund of Funds - Conservative Plan (An Open Ended Fund of Funds Scheme)

Date of Inception: December 15, 2015

Historical Per Unit Statistics	Fiscal Year 2016-2017		Fiscal Year 2015-2016	
	Regular	Direct	Regular	Direct
	Growth Option	Growth Option	Growth Option	Growth Option
NAV at the beginning of the year (as on April 1)	10.1570	10.1812	--	--
Dividends				
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--
NAV at the end of the year (as on March 31)	11.273	11.3316	10.1570	10.1812
Scheme Return (Annualised **)	10.99	11.30	--	--
Scheme Benchmark	85% CRISIL Short Term Bond Fund Index & 15% Nifty 50 Index			
Scheme Benchmark Returns	12.32	12.32	--	--
Standard Benchmark	CRISIL 10 Year Gilt Index			
Standard Benchmark Returns	--	11.87	--	3.97
Net Assets at the end of the period (Rs Crs.)	2.97	0.54	10.34	0.56
Ratio of Recurring expenses to net assets	0.53%	0.11%	0.60%	0.11%

**6. Principal Asset Allocation Fund of Funds - Aggressive Plan (An Open Ended Fund of Funds Scheme)**

Date of Inception: December 15, 2015

Historical Per Unit Statistics	Fiscal Year 2016-2017		Fiscal Year 2015-2016	
	Regular	Direct	Regular	Direct
	Growth Option	Growth Option	Growth Option	Growth Option
NAV at the beginning of the year (as on April 1)	9.8671	9.8931	--	--
Dividends				
- Net Dividend – Corporate (Rs Per Unit)	--	--	--	--
- Net Dividend – Non Corporate (Rs Per Unit)	--	--	--	--
NAV at the end of the year (as on March 31)	11.9287	12.0353	9.8671	9.8931
Scheme Return (Annualised **)	20.89	21.65	--	--
Scheme Benchmark	20% CRISIL Short Term Bond Fund Index & 80% Nifty 50 Index			
Scheme Benchmark Returns	17.81	17.81	--	--
Standard Benchmark	S&P BSE SENSEX			
Standard Benchmark Returns	--	16.88	--	0.76
Net Assets at the end of the period (Rs Crs.)	1.31	0.19	2.54	0.16
Ratio of Recurring expenses to net assets	0.96%	0.30%	1.05%	0.34%

## 7. Principal Arbitrage Fund (An open ended Equity Scheme)

Date of Inception: April 21, 2016

Historical Per Unit Statistics	Fiscal Year 2016-2017			
	Regular		Direct	
	Monthly Dividend	Growth Option	Monthly Dividend	Growth Option
NAV at the beginning of the year (as on April 1)	--	--	--	--
Dividends				
- Net Dividend – Corporate (Rs Per Unit)	0.300000	--	0.301400	--
- Net Dividend – Non Corporate (Rs Per Unit)	0.300000	--	0.301400	--
NAV at the end of the year (as on March 31)	10.2306	10.5337	10.2981	10.6032
Scheme Return (Annualised **)\$	--	5.34	--	6.03
Scheme Benchmark	CRISIL Liquid Fund Index			
Scheme Benchmark Returns	--	6.68	--	6.68
Standard Benchmark	NIFTY 50 Index			
Standard Benchmark Returns	--	15.95	--	15.95
Net Assets at the end of the period (Rs Crs.)	2.50	5.28	10.63	1.44
Ratio of Recurring expenses to net assets	1.05%		0.35%	

\$Absolute returns are calculated for Principal Arbitrage Fund as the scheme has not completed one year.

\*\* For Growth Option. Returns less than one year are calculated on absolute basis and more than one year calculated on compounded annualized basis on the face value of Rs.10/- per unit.

Principal Pnb FMP- Series B16 and Principal Pnb FMP- Series B17 has been rolled over (extension of maturity date) after obtaining consent of unit holders in writing and complying with the provisions laid under Regulation 33(4) of the Regulations.



### **SECTION III. HOW TO APPLY?**

There is only one application form for Residents, Non-Resident Investors and FIIs on repatriable / non-repatriable basis. However, if for reasons of expediency, interest of unitholders and other circumstances make it necessary for the Fund, separate application forms may be made for Residents and for Non-Resident Investors (based on repatriation parameters). Applicants should clearly specify their status and indicate the Scheme(s), Plan(s) and Option(s), for which the subscription is made by marking the appropriate choice provided for such purpose in the Application Form. Unless the applicant has ticked the appropriate NRI box, the application shall be treated under Resident category.

No receipt will be issued for the application money. The Official Point of Acceptance which receives the application form shall stamp and return the "Acknowledgement Slip" of the application form, thereby acknowledging receipt of the application form.

**KINDLY RETAIN THE ACKNOWLEDGEMENT SLIP OF THE APPLICATION FORM/STAMPED BY THE OFFICIAL POINT OF ACCEPTANCE. THIS SUBSCRIPTION SHALL BE SUBJECT TO FINAL VERIFICATION AND SCRUTINY BY THE BANKERS/TRUSTEES/AMC THAT THE CHEQUE AND APPLICATION FORM ARE IN ORDER/VALID.**

As per the requirements of the U.S. Securities and Exchange Commission (SEC), persons falling within the definition of the term "U.S. Person" under the US Securities Act of 1933 and corporations or other entities organized under the laws of U.S. are not permitted to make investments in securities not registered under the Securities Act of 1933. [The term "US Person" means any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission or as defined under Foreign Account Tax Compliance Act (FATCA) or as defined under any other extant laws of the United States of America or as per such further amended definitions, interpretations, legislations, rules etc, as may be in force from time to time.].

The schemes of Principal Mutual Fund are presently not registered under the relevant laws, as applicable in the territorial jurisdiction of United States of America.

In view of the same, the Units made available under the schemes, may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in U.S. or to or for the benefit of the residents thereof. Accordingly, the persons, corporations and other entities organized under the applicable laws of the U.S. will not be permitted to make any fresh purchases/additional purchases/switches in any schemes of PMF, in any manner whatsoever.

The schemes are also not registered in any provincial or territorial jurisdiction in Canada as per the local applicable laws and Units of the schemes have not been qualified for sale in any Canadian jurisdiction under the applicable securities laws.

Hence, the Units made available under the schemes, may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Accordingly, the persons, corporations and other entities organized under the applicable laws of the Canada will not be permitted to make any fresh purchases/additional purchases/switches in any Schemes of PMF, in any manner whatsoever.

If an existing investor subsequently becomes a resident of U.S. or Canada, then such investor will not be able to purchase any additional units of the schemes of PMF.

#### **Subscription by Residents**

- The application form for the sale of units of the Scheme(s) will be available at Official Point of Acceptance of Transactions/ISC/Office of the AMC etc. Unitholders under any of the existing scheme(s) can also switch from one scheme to another during the relevant NFO or otherwise as applicable;
- Applications must be completed in Block Letters in English; and any overwriting /cancellation should be countersigned by the applicants, failing which the application shall be liable to be rejected;
- Signatures should be in English or in any Indian Language. A Magistrate/ Notary Public under his/her official seal must attest Thumb impressions;

- In line with AMFI Best Practice Guideline Circular No.16/2010-11 dated August 2010, the Mutual Fund shall not accept any third party payment w.e.f. November 15, 2010;
- Payment should be made in cheque or bank draft on any bank, which is situated at and is a member of the Bankers' Clearing House, located at the place where the Application is submitted.
- All cheques, bank drafts and pay orders must be drawn in favour of the "Name of the Scheme" of Principal Mutual Fund and crossed "**Account Payee only**". If the scheme name on the application form / transaction slip and on the payment instrument are different, the application may be processed and units may be allotted at applicable NAV of the scheme mentioned in the application / transaction slip duly signed by investor(s). A separate cheque or bank draft must accompany each application. In case the Fund has separate application forms for Resident & Non-Resident Investors, the cheques may be drawn in the above manner and the Non-Residential status may be added on the cheque;
- Applicants located in a place where there is no designated Official Point of Acceptance, may send their application, accompanied with a separate bank draft crossed "Account Payee only" in favour of **the Name of the Scheme of Principal Mutual Fund** to the office of the AMC/Investor Service Centre/Official Point of Acceptance super scribing the envelope with the **Name of the Scheme of Principal Mutual Fund**. Out station Demand Draft that are not payable at par at the concerning OPT where the application form is submitted will not be accepted;

In order to prevent fraudulent practices, Investors are urged to make the payment instrument (cheque / Demand draft / Pay Order etc.) favoring "XYZ Scheme A/c. First Investor Name" OR "XYZ Scheme A/c. Permanent Account Number" OR "XYZ Scheme A/c. Folio Number";

- Applications not complete in any respect are liable to be rejected;
- Please state the application form number, PAN and Name on the reverse of the Payment Instrument.

#### **Allotment of Units in Demat Mode –**

Investors have an option to subscribe to the units of the Scheme (including SIP) in Demat Mode also. Applicant who wishes to apply for allotment of units in electronic form (including SIP) must have a demat account with National Securities Depository Limited or Central Depository Services (India) Ltd. prior to making the application

Further, in case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository. For allotment in electronic form, units will be credited directly in the demat account of the investor. In case of incorrect/incomplete details, allotment of units will be made in physical form.

#### **Subscription by NRIs**

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000, RBI has granted general permission to NRIs to purchase, on a repatriation basis units of domestic mutual funds. Further, the general permission is also granted to NRIs to sell the units to the mutual funds for repurchase or for the payment of maturity proceeds, provided that the units have been purchased in accordance with the conditions set out in the aforesaid notification.

For the purpose of this section, the term "Mutual Funds" is as referred to in Clause (23D) of Section 10 of Income-Tax Act 1961.

However, NRI investors, if so desired, also have the option to make their investment on a non-repatriable basis. Pursuant to A.P.(DIR Series) Circular No.14 dated September 16, 2003 issued by Exchange Control Department, Reserve Bank of India, OCBs shall not undertake purchase of Government dated securities or treasury bills or units of domestic mutual funds or units of Money Market Mutual Funds in India or National Plan / Savings Certificates both on repatriation and non - repatriation basis. However, the OCBs may continue to hold these securities till they are sold.

#### **Subscription by FIIs**

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000, RBI has granted general permission to a registered FII to purchase on a repatriation basis units of domestic mutual funds subject to the conditions set out in the aforesaid notification. Further, the general permission is also granted to FIIs to sell the units to the mutual

funds for repurchase or for the payment of maturity proceeds, provided that the units have been purchased in accordance with the conditions set out in the aforesaid notification. For the purpose of this section, the term “Mutual Funds” is as referred to in Clause (23D) of Section 10 of Income-Tax Act 1961.

### **Mode of Payment on Repatriation basis NRIs**

In case of NRIs and persons of Indian origin, payment may be made by way of Indian Rupee drafts purchased abroad and payable at Mumbai or by way of cheques drawn on Non-Resident (External) (NRE) Accounts payable at par at Mumbai. Payments can also be made by means of rupee drafts payable at Mumbai and purchased out of funds held in NRE/FCNR Accounts. In case Indian rupee drafts are purchased abroad or from Foreign Currency Accounts or Non-resident Rupee Accounts an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed.

### **FIIIs**

FIIIs may pay their subscription amounts either by way of inward remittance through normal banking channels or out of funds held in Foreign Currency Account or Non-resident Rupee Account maintained by the FII with a designated branch of an authorized dealer with the approval of the RBI subject to the terms and conditions set out in the aforesaid notification.

**All cheques/drafts should be made out in favour of the Name of the Scheme of Principal Mutual Fund and crossed “Account Payee Only”. In case Indian Rupee drafts are purchased abroad or from FCNR/NRE A/c, an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed.**

### **Mode of payment on Non-Repatriation basis**

In case of NRIs/ Persons of Indian origin seeking to apply for Units on a non -repatriation basis, payments may be made by cheques/demand drafts drawn out of Non-Resident Ordinary (NRO) accounts/Non-Resident Special Rupee (NRSR) accounts and Non Resident Non-Repatriable (NRNR) accounts payable at the city where the Application Form is accepted.

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

Subscription by Multilateral Funding Agencies, on full repatriation basis, is subject to approval by the Foreign Investment Promotion Board.

Kindly note that neither this Statement of Additional Information; nor the Scheme Information Document, nor the Application for the Units, nor the Units (“these Documents”) have been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Documents as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used without compliance with any registration or other legal requirements. Accordingly, none of these Documents constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one

to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

Any suspension or restriction of repurchase/redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the AMC and the Trustees.

### **Unit holder's Bank Account Details**

Unitholders are on a mandatory basis required to mention their bank account details in their applications/requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unit holder's account so specified. The normal processing time may not be applicable in situations where complete and correct details are not provided by unitholders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

### **Third Party Payments for subscription of Units**

Applications for subscription in Schemes of Principal Mutual Fund shall not be accepted when accompanied with \*Third Party payments, except in the following situations:

- Payment by Parents / Grand-Parents / related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding R50,000/- (each regular purchase or per SIP installment). However, this limit of Rs 50,000/- will not be applicable for payments made by a Guardian whose name is registered in the records of Principal Mutual Fund for the concerning Folio;
- Payment by Employer on behalf of employee under Systematic Investment Plan(s) or lump sum payment/one time subscription through Payroll deductions or deductions out of expense reimbursements;
- Custodian on behalf of FII or a client; and
- Payment of AMC to a Distributor empanelled with it on account of commission/incentive etc. in the form of Mutual Fund Units of the Funds, managed by the AMC through SIP/lump sum/one time subscription.
- Payment by corporate to its agent/distributor/dealer (similar arrangement with Principal-agent relationship), on account of commission/incentive payable for sale of its goods/services, in the form of Mutual Fund units through Systematic Investment Plans or lump sum/one time subscription.

\*Third Party Payment shall mean those payment made through instruments issued from an account other than that of the beneficiary investor. However, in case of payments from a joint bank account the first holder of the mutual fund folio should be one of the joint holders of the bank account from which payment is made.

In case of exceptional situations stated above, following additional documents shall be mandatorily enclosed along with the Subscription application:

- a) KYC Acknowledgement Letter for Investor (Guardian in case of Minor) and the Person making the payment.
- b) "Third Party Declaration Form" from the Investor (Guardian in case of Minor) and the person making the payment, giving details of the bank account from which the payment is made and the relationship with the Beneficiary Investor(s). (Declaration Format shall be available at any of our Investor Service Centre or on [www.principalindia.com](http://www.principalindia.com))

Investor along with the subscription application must provide the details of his pay-in bank account (i.e. account from which a subscription payment is made) and his pay-out bank account (i.e. account into which redemption / dividend proceeds are to be paid). Investor shall also have the facility to register multiple bank accounts as detailed in the section below on "Multiple Bank Accounts". Only Pay-in from such registered bank accounts shall be treated as First party payments.

Additionally, in case of following mode of payments below stated documents should be enclosed with the subscription application:

a) **Pay Order, Demand Draft, Banker's Cheque and the like:** Certificate from the Issuing Banker, stating the Account holder's name and the Account number which has been debited for issue of such instrument.

As directed by AMFI, a copy of acknowledgement from the Bank wherein the instructions to debit the Investor's bank account for the purpose of issuing Demand Draft / Pay Order and name of the Investor as an account holder are available OR copy of pass book/bank statement evidencing the debit for issuance of a Demand Draft / Pay Order, shall also be accepted by the Mutual Fund.

b) **Pay Order, Demand Draft, Banker's Cheque and the like issued against cash by the Bank [for an investment amount less than Rs.50,000/- only]:** Certificate from the Banker giving name, address and PAN (if available) of the person who has requested for the demand draft.

c) **Payment vide RTGS, NEFT, ECS, Bank Transfer, etc:** copy of the instruction to the bank stating the account number debited must accompany the purchase application.

In case of payments received from a Bank Account which is not registered and the first unitholder's name is not preprinted on the payment cheque or wherein the bank mandate mentioned in the application form by the investor for effecting payouts is not the same as the bank account from which the investment is made, any one of the following documents in relation to the bank mandate shall be submitted by the investor along with the application form to validate that the bank mandate belongs to the investor:

- i. Cancelled original cheque having first holder name pre-printed on the cheque;
- ii. Original bank statement (with transaction entries not older than 3 months) reflecting the first holder name, bank account number and bank name as specified in the application form;
- iii. Photocopy of the bank statement/bank passbook (with transaction entries not older than 3 months) reflecting the first holder name, bank account number and bank name as specified in the application form, duly attested by the bank manager and bank seal;
- iv. Confirmation by the bank manager with seal/on the bank's letterhead confirming the investor details and bank mandate information as mentioned in the application form

If the documents are not submitted with the application, the fund reserves the right to reject the application without any liability whatsoever or call for additional details, at its discretion.

In any instance, where, post verification it is found that the payment, in any mode, is not made from a registered bank account or is made from an account where the first named unit holder is not an Account holder / one of the account holder in case of Joint Bank Account, the AMC/R&T, reserves the right to reject the transaction / subscription application, without any liability.

Additionally, in order to prevent fraudulent practices, Investors are urged to make the payment instruments (cheque / Demand draft / Pay Order etc.) favouring "XYZ Scheme A/c. First Investor Name" OR "XYZ Scheme A/c. Permanent Account Number" OR "XYZ Scheme A/c. Folio Number".

#### **Multiple Bank Accounts:**

Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 Bank Accounts in case of Individual and HUF Investor and 10 Bank Accounts in case of Non Individual Investor. Such facility can be availed by submitting duly filled in "Multiple Bank Account Registration form" at the Investor Service Centre closest to you, along with copy of any one of the following documents:

- a) cancelled cheque leaf of the bank account which has to be registered [the account number and name of the first unitholder should be printed on the cheque leaf];
- b) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;
- c) Bank letter / certificate on its letter head certifying the account holder's name, account number and branch address [Such letter / certification should be certified by the Bank Manager with his / her full name, signature, employee code.]

**Investors should also present the Original of the above Document submitted along with the subscription application, and such original document shall be returned across the Counter post due verification.** Subsequent, to successful registration of multiple bank accounts, Investors can select any of the registered bank accounts in the application form for the purpose of subscriptions, redemption and dividend proceeds. Investor shall also have the option to register any one of their account as a default bank account for credit of redemption /dividend proceeds.

Further an Investor may also opt to delete a registered default bank account; however, such deletion of a default bank account shall be permitted only if the Investor registers another registered account as a default account. In the event of rejection of such registration application for any reason, the redemption / dividend proceeds shall be processed as per specified service standards and the last registered bank account information in the records of Registrar & Transfer Agent - Karvy Computershare Private Limited, will be relied upon and used for such payments. It is clarified that in case of Change of Bank Account along with Redemption application submitted by the Investor, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of R&T.

### **Change in Bank Mandate**

1. Updation of Bank Account in Customer's Folio shall be either through "Multiple Bank Account Registration Form" or a standalone separate "Change of Bank Mandate Form";
2. In case of standalone change of bank details, documents as entailed below should be submitted as a proof of new bank account details. Based on PAMC's internal risk assessment, PAMC may also consider collecting proof of old bank account and proof of identity of the clients, while effecting the change of bank account;
3. Customers are advised to register multiple bank accounts and choose any of such registered bank accounts for receipt of redemption proceeds;
4. Any unregistered bank account or new bank account forming part of redemption request shall not be entertained or processed;
5. Such Investors, who have not already provided bank mandate at the time of making investment, are required to submit proof of new bank account details as entailed here below. Such Investors are also required to submit valid Proof of Identity as prescribed under KYC guidelines along with Proof of Investment; and
6. Any change of Bank Mandate request received/processed few days prior to submission of a redemption request or on the same day as a standalone change request, PAMC will continue to follow cooling period upto 10 calendar days for validation of the same.

Investors are required to submit any one of the following documents in Original or produce originals for verification or copy attested by the Bank –

### **New Bank Account Registration**

- Cancelled original cheque of new bank mandate with first unitholder name and bank account number printed on the face of the cheque; OR
- Self - attested copy of bank statement; OR
- Bank Passbook with current entries not older than 3 months; OR
- Letter from the bank on its letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager/authorised personnel.

AND Proof of Identity as prescribed under KYC guidelines along with Proof of Investment - only for such investors who have not registered their bank mandate at the time of making investment.

### **Change in Existing Bank Mandate**

- Cancelled original cheque with first unitholder name and bank account number printed on the face of the cheque; OR
- Original bank account statement or pass book; OR
- Original letter issued by the Bank on the letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager; OR
- In case such Bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.

## **Transactions through Stock Exchange Mechanism**

All the open ended scheme(s) [except Direct Plan and Sweep facility under Dividend Option of Regular Plan] have been admitted on the order routing platform of NSE i.e. Mutual Fund Service System (MFSS) and BSE i.e. BSEStAR MF platform, enabling investors to submit applications for subscription and redemption there under.

Details pertaining to transactions through MFSS and BSEStAR, has been provided in the Scheme Information Document of the respective Schemes.

### **KTRACK Facility**

In addition to the existing investor service centers and other modes of investment, investors / unit holders of Principal Mutual Fund ('the Fund') are allowed to transact in schemes of the Fund through [www.karvymfs.com](http://www.karvymfs.com), an electronic platform provided by Karvy Computershare Pvt. Ltd., Registrar & Transfer Agent of the Fund ('Karvy'). The facility to transact in schemes is also available through mobile application of Karvy i.e. 'KTRACK'.

The uniform cut off time as prescribed under the SEBI (Mutual Funds) Regulations, 1996 and as mentioned in Scheme Information Documents ('SIDs')/ Key Information Memorandums ('KIMs') of respective schemes of the Fund will be applicable for transactions received through Karvy's electronic platforms and the time of receipt transaction recorded on the server of Karvy will be reckoned as the time of receipt of transaction for the purpose of determining applicability of NAV, subject to credit of funds to bank account of scheme(s), wherever applicable.

The facility to transact in eligible schemes of Principal Mutual Fund through Karvy's electronic platforms is available subject to such operating guidelines, terms and conditions as may be prescribed from time to time by Principal Pnb Asset Management Company Pvt. Ltd, Principal Trustee Company Pvt. Ltd, Karvy Computershare Pvt. Ltd and other applicable laws for the time being in force.

For operating guidelines, terms and conditions, registration form and further details, investors/ unit holders are requested to visit [www.karvymfs.com](http://www.karvymfs.com).

## **Transactions through MF Utilities India Private Limited**

Principal Pnb Asset Management Company Private Limited has entered into an Agreement with **MF Utilities India Private Limited ("MFUI")**, a "Category II – Registrar to an Issue" under SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, for usage of **MF Utility ("MFU")** - a shared services initiative of various Asset Management Companies, which acts as a transaction aggregation portal for transacting in multiple Schemes of various Mutual Funds with a single form and a single payment instrument.

Investors are requested to note that, MFUI will allot a **Common Account Number ("CAN")**, a single reference number for all investments in the Mutual Fund industry, for transacting in multiple Schemes of various Mutual Funds through MFU and to map existing folios, if any. Investors can create a CAN by submitting the CAN Registration Form (CRF) and necessary documents at the MFUI POS. The AMC and / or its Registrar and Transfer Agent (RTA) shall provide necessary details to MFUI as may be needed for providing the required services to investors / distributors through MFU. Investors are requested to visit the websites of MFUI or the AMC to download the relevant forms.

Accordingly, all financial and non-financial transactions pertaining to the schemes of Principal Mutual Fund ("the Fund") can be done through MFU either electronically on [www.mfuonline.com](http://www.mfuonline.com) as and when such a facility is made available by MFUI or physically through the authorized **Points of Service ("POS")** of MFUI with effect from the respective dates as published on MFUI website against the POS locations. The list of POS of MFUI is published on the website of MFUI at [www.mfuindia.com](http://www.mfuindia.com) as may be updated from time to time. The Online Transaction Portal of MFU i.e. [www.mfuonline.com](http://www.mfuonline.com) and the POS locations of MFUI, as updated from time to time, will be in addition to the existing Official Points of Acceptance ("OPA") of the AMC.

Investors are requested to note that, for applications / subscriptions received through the MFU platform, there may be a time-gap between the credit of funds to MFU Bank Account and that to the Fund Bank Account. The time of credit to the Fund Bank Account shall be considered for the NAV applicability. The uniform cut-off time as prescribed by SEBI and as mentioned in the SID / KIM of respective schemes shall be applicable for applications received on the portal of MFUI i.e. [www.mfuonline.com](http://www.mfuonline.com). However, investors should note that transactions on the MFUI portal shall be subject to the eligibility of the investors, any terms & conditions as stipulated by MFUI / the Fund / the AMC / SAI and SID/KIM of the respective schemes of the Fund, from time to time and any law for the time being in force.

For any queries or clarifications related to MFU, please contact the Customer Care of MFUI on 1800-266-1415 (during the business hours on all days except Sunday and Public Holidays) or send an email to [clientservices@mfuindia.com](mailto:clientservices@mfuindia.com).

### **Additional Mode of Payment through Applications Supported by Blocked Amount (ASBA)**

As defined under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 “Application Supported by Blocked Amount (ASBA)” means an application for subscribing to a public issue or rights issue, along with an authorization to Self Certified Syndicate Bank (‘SCSB’) to block the application money in a bank account.

SEBI vide its Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, extended the ASBA facility to the investors subscribing to New Fund Offers of Mutual Fund Schemes. The ASBA facility shall co-exist with the current process, wherein cheques / demand drafts are accepted by Mutual Funds as a mode of payment for subscription.

#### **Features of ASBA:**

- If an investor is applying through ASBA, his/her application money shall be debited from the bank account only if units are allotted to him/her.
- The investor does not have to bother about refunds, as in ASBA, application money is taken from the bank account only on allotment of units.
- The investor continues to earn interest on the application money as the same remains in the bank account, which is not the case in other modes of payment.

Self Certified Syndicate Bank means a banker (SCSB) to an issue registered with SEBI, which offers the facility of ASBA. The SCSB shall identify its Designated Branches (DBs) at which as ASBA investor shall submit ASBA and shall also identify the Controlling Branch (CB) which shall act as a co-coordinating Branch for the Registrars.

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA are provided at <http://www.sebi.gov.in> or at such other website as may be prescribed by SEBI from time to time. For details on designated branches of SCSB collecting the ASBA Form, please refer the above mentioned SEBI link.

The detailed instructions for applications through ASBA shall be mentioned in the KIM / Application Form to the NFO of the Scheme(s) that may be launched from time to time.

Mutual Fund, AMC and Trustees shall not be liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this document. Further, the Mutual Fund, AMC and Trustees shall not be responsible for any acts, mistakes, errors, omissions and commissions etc. in relation to the ASBA accepted by SCSBs, application details uploaded by SCSBs, application details accepted but not uploaded by SCSBs or application accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications specified by SCSBs, the application Amount has been blocked in the relevant ASBA Account.

### **Know Your Customer Requirement**



As per SEBI directive, the requirement for submitting PAN details for all investments of Mutual Funds is mandatory for all investors [including Non-Resident Indians] irrespective of the amount of transaction involved [Except for SIP upto Rs 50,000/- per year per investor (Micro SIP)]. Where the person making an application is minor and who does not have any income chargeable to income-tax, he shall quote the PAN of his/her father or mother or guardian, as the case may be. As directed by SEBI, on submission of sufficient documentary evidence, submission of PAN shall not be insisted in case of Central Government, State Government and the officials appointed by the Courts e.g. official liquidator, court receiver etc. (under the category of Government) and residents of Sikkim while investing in Mutual Funds. The exemption from mandatory PAN requirement will apply to transactions undertaken on behalf of Central and State Government and not to the transactions of the employees of Central and State Government in their personal capacity.

With effect from 1<sup>st</sup> January, 2011, KYC (Know Your Customer) norms are mandatory for ALL investors for making investments in Mutual Funds, irrespective of the amount of investment. Investors shall mean to include (i) their constituted Power of Attorney (PoA) holder, in case of investments through a PoA (both issuer of PoA & PoA holder must attach KYC Acknowledgement) and (ii) each of the applicants, in case of application in joint names (iii) Guardian in case of minor.

Further, to bring uniformity in KYC process, effective January 1, 2012, SEBI has introduced a common KYC procedure across all the SEBI registered intermediaries viz. Mutual Funds, Portfolio Managers, Depository Participants, Stock Brokers, Venture Capital Funds, Collective Investment Schemes etc.

All new Investors who are not KYC Compliant are required to use the Common KYC Application Form to apply for KYC process and are also required to mandatorily undergo In Person Verification (IPV) with any of SEBI registered Intermediaries including Mutual Funds. Common KYC Application form is available on AMFI website - [www.amfiindia.com](http://www.amfiindia.com), our website - [www.principalindia.com](http://www.principalindia.com) and/or at any of our Official Points of Acceptance of Transactions(OPT).

With respect to Mutual Funds, IPV can be conducted by AMC's or by any Know Your Distributor (KYD) compliant Mutual Fund Distributor who holds AMFI / NISM certification. Further, for applications received directly by Mutual Fund, IPV carried out by Scheduled Commercial Banks, also shall be relied upon by the Mutual Fund.

In case of a New Investor who is not KYC compliant and wishes to transact in schemes of Principal Mutual Fund (PMF), he/she is required to submit a duly completed and signed Common KYC Application Form along with all the necessary documents as mentioned in the said form to Principal Pnb Asset Management Company Pvt. Ltd. (the AMC) at any of its OPT. The AMC shall upload the details of such Investors on the system of the KYC Registration Agency (KRA). Registrar and Transfer Agents (RTA) of a Mutual Fund may also undertake the KYC of an investor on behalf of an AMC. KRA shall send a letter to such Investors within 10 working days of the receipt of the initial/updated KYC documents from AMC, confirming the details thereof.

The Investor upon completing such KYC requirements (including IPV) through any one of the SEBI registered intermediary will not be required to undergo KYC process again with such other intermediaries, including Mutual Funds. However, the AMC reserves the right to conduct fresh KYC of the investors or undertake enhanced KYC measures commensurate with the risk profile of the Investor. Further, AMC/Principal Trustee Co. Pvt. Ltd. / Principal Mutual Fund reserve the right to reject the application forms for transactions in units of PMF not accompanied by letter/acknowledgement issued by the KRA. The KYC compliance status will be validated with the records of the KRA before allotting units.

Investors who have completed the KYC requirements prior to January 1, 2012 can continue to transact with Mutual Funds as per the current practice. However, in case such Investor wishes to transact with other SEBI registered intermediaries, such existing investors shall be required to comply with the prevailing KYC requirements including IPV as mandated by SEBI.

KYC is one time exercise while dealing in securities markets - once KYC is done through a SEBI registered intermediary (broker, DP, Mutual Fund etc), investor need not undergo the same process again while approaching another intermediary

#### **Documents to be submitted along with application**

In addition to documents specified under the section titled 'KYC Requirement', below mentioned documents should be submitted.

***In case of applications under Power of Attorney***

If any application or any request for transmission is signed by a person holding a valid Power of Attorney, the original Power of Attorney or a certified copy duly notarized should be submitted with the application or the transmission request, as the case may be unless the Power of Attorney has already been registered with the Fund/Registrar.

***In the case of applications by limited Company, a corporate body, an eligible institution, a registered society, a Trust, a Fund, or an FII etc.***

In the case of applications by limited company, a corporate body, an eligible institution, a registered society, a trust, a Fund, or a FII, a certified true copy of the Board resolution of the Managing Body authorizing investments in Units including authority granted in favour of the officials signing the application of Units and their specimen signature etc. along with a certified copy of the Memorandum and Articles of Association and/or bylaws and/or trust deed and/or partnership deed and Certificate or Registration should be submitted. The officials should sign the application under the official designation. In the case of a trust/fund, it shall produce a resolution from the Trustee(s) authorizing purchases. The above mentioned documents or duly certified copy thereof must be lodged with the Official Point of Acceptance where the application form has been submitted simultaneously with the submission of the Application form. All NRI applications by mail should be sent to the address(es) of the AMC/Investor Services Centres/Official Point of Acceptance of Transactions along with the relevant foreign inward remittance certificates to indicate the status of the Account debited and the relevant approvals if required. In case of non - submission of the above mentioned documents, the AMC is entitled, in its sole and absolute discretion, to reject or accept any application. Besides, the normal processing time may not be applicable in situations where such documents/details are not provided by unitholders. The AMC will not be responsible for any loss arising out of non-allotment/ rejection of such application. It is expressly understood that the investor/ unitholder has the express authority from the relevant constitution to invest in units of the Fund and the AMC/Trustee/Fund would not be responsible if the investment is ultra vires the relevant constitution.

**Change in Address**

Investors / unitholders who may desire to change their address, shall submit the self- attested copies of the below mentioned documents along with a duly filled in 'Change of Address Form".

**1. KYC not complied folios (to be submitted at Investor Service Centre of PAMC\*)**

- Proof of new Address
- Proof of Identity (in case of PAN updated folios - only PAN card copy shall be accepted, and in other case PAN/other valid proof of identity shall be accepted
- Based on PAMCs internal risk assessment, PAMC may also consider collecting proof of old address, while effecting change of address

**2. KYC complied folios (to be submitted at KRA point of service\*):**

- Proof of new Address
- Any other document/form that the KYC Registration Agency (KRA) may specify from time to time.

Copies of all documents submitted by the Investors should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested/ verified by entities authorised for attesting / verification of the documents as per KYC guidelines.

\*List available on our website [www.principalindia.com](http://www.principalindia.com)

**Central Know Your Customers (CKYC)**

In line with AMFI Best Practices Guidelines Circular No.68/2016-17 dated December 22, 2016 on Uniform implementation of CKYC by Mutual Fund/ AMCs, while onboarding a new individual investor, for those investors

whose KYC is not registered or verified in the KRA system, the AMC shall use new CKYC Form to conduct and register the KYC of the investor.

In case the investor uses the old KRA KYC form, the investor is required to provide the additional information using a 'Supplementary CKYC Form' or to fill the new 'CKYC Form'

In case the new investors have completed CKYC and quote KYC Identification Number (KIN) in their application forms, AMC shall use the KIN provided by the customer to download KYC information from CKYCR system and update the records. AMC is also required to check that in case the investor has not updated the PAN details in the CKYC system, self-certified copy of the PAN card is required to be obtained and uploaded in the CKYC system. Accordingly, investors may be requested to provide the same.

The new CKYC forms have been uploaded on the AMC Website-<http://principalindia.com>

#### **SECTION IV. RIGHTS OF UNITHOLDERS OF THE SCHEME**

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. If the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be dispatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption / Switch of Units shall be dispatched to the Unit holder within 10 business days of the Specified Redemption Date/ Subscription Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the duly completed Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - whenever required to do so by SEBI, in the interest of the Unit holders.
  - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
  - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
8. The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless :
  - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
  - (ii) the Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
9. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI. Unitholders are entitled to one vote per unit held on all matters to be voted upon by unitholders.

## SECTION V. VALUATION POLICY AND DETERMINATION OF NET ASSET VALUE (NAV)

The Investments of the Scheme will be valued according to the valuation norms, as specified in Schedule VIII of the Regulations or such other norms as may be prescribed by SEBI from time to time.

Following is the Broad framework for valuation of securities which shall be followed by Principal Mutual Fund, subject to Regulations/Circulars issued by SEBI/AMFI from time to time. Further, any regulatory prescribed modification to the Valuation Policy shall deem to form part of this Valuation Policy.

### **A. Valuation Methodology**

Valuation done for each and every type of security held by the scheme shall be as follows:

#### ***I. Equity Shares, Preference Shares and Equity Warrants***

- i. Traded:*** on the valuation day, at the last quoted price on the National Stock Exchange (NSE) / Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange.
- ii. Non traded/Thinly Traded:***

When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE/any other stock exchange will be used, provided such closing price is of a day falling within the previous 30 calendar days.

Non-Traded:

When a security is not traded on any stock exchange for a period exceeding 30 calendar days, it will be treated as non-traded security. Non Traded securities will be valued as follows:

Valuation will be computed on the basis of average of book value and the price computed on the basis of the PE ratio (after appropriate discount to industry PE), further discounted for illiquidity.

Detailed valuation methodology is defined as below:

#### **A. Equity Shares:**

Based on the latest available Balance Sheet, net worth shall be calculated as follows:

- i) Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.**
- ii) Average capitalisation rate (P/E ratio) for the industry, based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.**
- iii) The value as per the net worth value per share and the capital earning value, calculated as above, shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.**
- iv) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.**

- v) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- vi) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.

To determine if a security accounts for more than 5% of the total assets of the scheme, it would be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

- B. **Preference Shares:** Intrinsic value will be considered.
- C. **Equity Warrants / Rights entitlement / partly paid up rights shares:** Valuation price will be arrived, after applying appropriate discount after reducing the exercise price / issuance price from the closing price of the underlying cash equity security.
- D. **Demerger:** Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price, before demerger reduced for quoted price of the listed resultant company(s). OR In case of a demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action.

Thinly Traded:

When trading in an equity/equity related security (such as convertible debentures, equity warrants etc.) in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 shares (all the stock exchanges where the security is listed, may be taken into account), it shall be considered as a thinly traded security.

Thinly traded securities will be valued on the basis of valuation process as described above for Non Traded Equity Shares.

### iii. **Unlisted Equity Shares:**

Unlisted Equity Shares shall be valued “in good faith” on the basis of the valuation methodology laid down below:

- a) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:
  - (i) Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.
  - (ii) Net worth per share shall again be calculated after taking into account the outstanding warrants and options, and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}.

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

- b) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and

discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.

- c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- iii. If the net worth of the company is negative, the share would be marked down to zero.
- iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- v. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.

An unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology if considered appropriate by the Valuation Committee. Such exception shall be reported to the Board of AMC & Trustees at its periodical meetings.

## ***II Futures and Options***

***Traded:*** On the valuation day at the settlement price provided by the respective stock exchanges.

***Non Traded:*** When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange.

## ***III Fixed Income and related securities***

### ***Valuation of Debt & Money Market Instruments***

i. *For securities with residual maturity <= 60 days:*

- Assets (including sovereign securities) may be amortized on straight line amortization as long as their valuation remains within  $\pm 0.10\%$  band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket will be provided by CRISIL or other agencies).

At the time of first purchase or at the time the residual maturity of an existing security falls to 60 days from 61 days (for Assets other than sovereign securities) the spread between the yield of the security and the reference yield shall be ascertained and the spread shall be applied consistently thereafter. The spread shall be changed only if there is justification for such change.

- In case there are any subsequent trades in the same security by our schemes with an external counterparty, the security will be valued considering the weighted average yield (of all the trades done during the day) as long as each of the trades are of market lot or more. (if the value of any of the recent trades is less than the market lot, the said trade shall not be considered material enough to cause any change in valuation and shall be ignored). The spread between the yield of the security so traded

recently and the reference yield on that day shall be ascertained and the revised spread shall be applied consistently thereafter (including to existing holdings of the said security).

Market lot is defined as a single trade with a face value of Rs.5 crore or more.

- Securities will be amortized as stated above as long as their valuation remains within  $\pm 0.10\%$  band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket will be provided by CRISIL or other agencies).
- In case of amortised value falling outside the above band, the valuation price of the asset may be adjusted in order to bring the said valuation price within the  $\pm 0.10\%$  band.

Note – Government Securities will be valued basis average of the security level prices provided by CRISIL and ICRA or any other Agency. Post discontinuation of dissemination of prices by these agencies, government securities may be amortized on straight line amortization as long as their valuation remains within  $\pm 0.10\%$  band of the price derived from the reference rate for each bucket (reference rate for every 15-day bucket will be provided by CRISIL or other agencies).

ii. For securities with residual maturity > 60days:

Securities will be valued at security level prices provided by CRISIL and ICRA or such other agency appointed by AMFI (without any discretionary spread).

In case a new security is purchased ( through single or multiple trades) and the prices as mentioned above are not available, then; Securities will be valued at weighted average Purchase Yield (of all the trades done during the day).

On any valuation day, any decision of overruling the security level price of any security provided by CRISIL or such other agency appointed by AMFI, would have to be recommended by the Fund Manager based on the market data and it shall be approved by Head of Fixed Income and the Valuation Committee.

iii. ***Futures and Options:***

***Traded:*** On the valuation day at the settlement price provided by the respective stock exchanges.

***Non Traded:*** When a security is not traded on the respective stock exchange on the date of valuation, then the settlement price / any other derived price provided by the respective stock exchange.

The valuation shall be done in good faith and in true and fair manner.

**C. Inter-scheme transfers:**

a) For securities other than Certificate of Deposits:

- If the security is traded (as defined below) then weighted average traded price/yield shall be taken;
- If no trades are available up to the time of Inter scheme, previous day valuation price/yield shall be taken.

b) For Certificate of Deposits:

- If the same or similar security is traded (as defined below) then weighted average traded price/yield shall be taken;
- If the same or similar security is not traded (as defined below) up to the time of Inter scheme, previous day valuation price/yield shall be taken.
- Similar security shall mean security with the same maturity date, same rating (both short term and long term) and same ownership pattern (public, private and foreign issuers).

A security shall be classified as 'Traded', as per details mentioned here below: -



*For securities with residual maturity >1 Year:* if at least two market trades aggregating to INR 25 crores face value or more reported on a public platform

*For securities with residual maturity > 60 days up to one year:* if at least three market trades aggregating to INR.100 crores face value or more reported on a public platform.

*For securities with residual maturity <= 60 days:* if at least three market trades aggregating to INR 100 crores face value or more reported on a public platform

*Note: Market Trade with a face value of Rs.5 crore or more only to be considered.*

#### **D. Valuation Committee**

The Valuation Committee comprises of senior management officials of AMC. The Valuation Committee is responsible for implementation of the Valuation Policy and Procedures.

The Committee shall keep the Boards of AMC and Trustee Company periodically updated on the effectiveness of valuation methodologies, effective implementation, and deviations if any.

The valuation policy shall be reviewed annually by the Valuation Committee and internal auditors and the same shall be noted by the board of AMC and Trustee

*Further, the Valuation Committee will ensure that investment in any new type of security which is not captured in the Valuation Policy shall be made only after establishment of the valuation methodology for such security with the approval of the Board of Directors of Asset Management Company.*

#### **E. Conflict of Interest**

The Valuation Committee shall be responsible for ongoing review of areas of conflict (including potential areas, if any) and should recommend to the board of Directors of the Asset Management Company the procedures to mitigate it.

#### **F. Abnormal situations & market disruptions**

In normal situations the above methods may be used for valuation. However in abnormal market conditions, due to lack of market trading or otherwise it may not be possible to obtain fair valuation using “normal” means. In such situations, the realizable value may be substantially different from the benchmark-based prices obtained. This could lead to, for example, an overvalued portfolio which could be used by some investors to redeem their holdings having an adverse impact on residual investors.

Following are the illustrative types of events which could be classified as abnormal situations where current market information may not be available / sufficient for valuation of securities:

- a. Major policy announcements by the Central Bank, the Government or the Regulator.
- b. Natural disasters or public disturbances that force the markets to close unexpectedly.
- c. Absence of trading in a specific security or similar securities.
- d. Significant volatility in the capital markets.

#### ***Escalation Procedure:***

- a. Valuation Committee shall be responsible for monitoring Exceptional events.

- b. Deviation from the disclosed policy may be allowed with appropriate reporting to the Board of Trustees and Board of AMC at its meeting held immediately following such instance(s) of deviation(s).

**G. Safe keeping of data/record:**

Valuation policy should be updated in the Scheme Information Document/Statement of Additional Information, website and other documents as prescribed by SEBI regulation, guidelines and circulars. All documents that form the basis of valuation including inter-scheme deals should be maintained.

**Notes:**

1. For considering market trades, public platform refers to – F-Trac (FIMMDA), NSE, BSE and MCX-SX. In case of multiple platforms reporting trades on the same day, order of preference will be NSE OTC, BSE ICDM, MCX-SX and NSE WDM for Corporate Bonds and Securitized Debts. For Commercial Papers and Certificate of Deposits order of preference will be FIMMDA, NSE WDM and BSE ICDM. The qualifying criteria will be observed at the exchange/platform level.
2. Government Securities, Treasury Bills and Cash Management Bills with maturity greater than 60 days shall be valued at average of the security level prices provided by CRISIL and ICRA or any other Agency.
3. Following assets will be valued at cost plus accruals / amortization:-
  - (a) Bank Fixed deposits
  - (b) CBLO /reverse repo
4. Units/Shares of Mutual Funds (including Overseas Mutual Funds) will be valued at the latest available NAV.
5. Prices in foreign currency shall be valued in Indian Rupees at the RBI Reference Rate on the date of valuation.
6. Valuation of Securities with Put or Call Options on exercise of the option:
  - a) Security with Put Option(s) – Once the Put option is exercised, the Security would be amortized to the Put date (being the Deemed Date of Maturity) ignoring the prices provided by AMFI appointed agencies (currently CRISIL and ICRA).
  - b) Security with Call Option(s) – Once the Call option is exercised the Security would be amortized to the Call date (being the Deemed Date of Maturity) ignoring the prices provided by AMFI appointed agencies (currently CRISIL and ICRA).

**ACCRUAL OF EXPENSES AND INCOME**

All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, while major expenses like management fees and other periodic expenses should be accrued on a day to day basis, other minor expenses and income need not be so accrued, provided the non-accrual does not affect the NAV calculations by more than 1%.

**DETERMINATION OF NAV**

The NAV of the Scheme for each option at any time shall be determined by dividing the net assets of the Scheme by the number of outstanding units on the valuation date

The NAV of the Scheme will be calculated as shown below:

$$\text{NAV per unit} = \frac{(\text{Market / Fair Value of Securities} + \text{Accrued Income} + \text{Receivables} + \text{other assets} - \text{Accrued Expenses} - \text{payables} - \text{other liabilities})}{\text{No. of units outstanding of the scheme / option}}$$

The NAV will be calculated up to two or four decimals as prescribed by SEBI. The NAVs will be calculated as of the close of every Business Day for all schemes and on all business days and applicable calendar days (for NAV applicability and transaction processing) in case of liquid schemes.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars, Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units under the Dividend Option of the Fund shall be deducted in computing the NAV of the units under the Dividend Option, each time a dividend is declared and till it is distributed. Consequently, once the dividend is distributed, the NAV of the units will always remain lower than the NAV of the units under the Growth Option. The income earned and profits realized attributable to the units under the Growth Option shall remain invested and shall be deemed to have remained invested in the Growth Option (exclusive of the units under the Dividend Option) and would be reflected in the NAV of the units under the Growth Option.

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

The first NAV will be calculated and announced within a period of 5 business days after the close of the NFO Period.

## **ACCOUNTING POLICIES AND STANDARDS**

The AMC, for the Scheme(s) and its Plan(s), shall keep and maintain proper books of account, records and documents, so as to explain its transactions and to disclose at any point of time the financial position of the Scheme(s) and, in particular, give a true and fair view of the state of affairs of the Fund. In keeping and maintaining proper books of accounts, the AMC will follow the accounting policies and standards as outlined below which are as per the existing Regulations and are subject to change as per changes in the Regulations.

1. All investments will be marked to market and will be carried in the balance sheet at market value. However, since the unrealized gain arising out of appreciation cannot be distributed, provision will be made for exclusion of this item when arriving at distributable income.
2. Dividend income earned by the scheme will be recognised; not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments that are not quoted on the stock exchange, dividend income shall be recognised on the date of declaration.
3. Bonus shares to which the Scheme becomes entitled shall be recognised only when the original shares to which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognised only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
4. In respect of all interest bearing investments, income will 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 shall 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 shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
5. In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method shall be followed.
6. Transactions for purchase or sale of investments would be recognized as of the trade date and not as of the settlement date so that the effect of all investments traded during the financial year are recorded and reflected in the financial statements for that year. When investment transactions take place outside the stock market, e.g. acquisition through private placement or purchase or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay

the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

7. Where income receivable on investments has been accrued and has not been received for a period beyond the due date as specified in the guidelines for identification and provisioning of NPA issues by SEBI, provision shall be made by debit to the revenue account for the income so accrued and no further accrual of income shall be made in respect of such investment in accordance with the aforesaid guidelines issued by SEBI in this behalf. In so far as provision for the principal amount is concerned, the same shall be provided for as specified in the aforementioned guidelines.
8. When Units are sold in the Scheme(s) and its Plans, an appropriate part of the sale proceeds shall be credited or debited to an Equalization Account and when Units are repurchased an appropriate amount shall be credited or debited to Equalization Account. The net balance on this account shall be credited or debited to the Revenue Account. The balance on the Equalization Account debited or credited to the Revenue Account shall not decrease or increase the net income of the Fund but is only an adjustment to the distributable surplus. It shall therefore be reflected in the Revenue Account only after the net income of the Fund is determined.
9. When Units are sold, after considering the equalization as above, the difference between the sale price and the face value of the Unit, if positive, shall be credited to reserves and if negative, shall be debited to reserve, the face value being credited to Capital Account. Similarly, when the Units are repurchased, after considering the equalization as above, the difference between the purchase price and face value of the Unit, if positive, shall be debited to reserves and, if negative, shall be credited to reserves, the face value being debited to the Capital Account.
10. The cost of investment acquired or purchased would include brokerage, stamp charges and any charge customarily included in the brokers' bought note. In respect of privately placed debt instrument, any front-end discount offered shall be reduced from the cost of the investment.
11. Underwriting commission, if any, shall be recognised as revenue only when there is no devolvement on the Scheme. Where there is devolvement on the Scheme, the full underwriting commission received and not merely the portion applicable to the devolvement shall be reduced from the cost of the investment.

## **GUIDELINES FOR IDENTIFICATION AND PROVISIONING FOR NON PERFORMING ASSETS (DEBT SECURITIES)**

### **(i) Definition of a Non Performing Asset (NPA)**

An 'asset' shall be classified as non - performing, if the interest and/or principal amount has not been received or remained outstanding for one quarter from the day such income / installment has fallen due.

### **(ii) Effective date for classification and provisioning of NPAs:**

The definition of NPA may be applied after a quarter following the due date of interest. For e.g. if the due date for interest is 30.09.2011 it will be classified as NPA from 01.01.2012.

### **(iii) Treatment of income accrued on the NPA and further accruals**

- After the expiry of the 1st quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 30.09.2011 and if the interest is not received, accrual will continue till 31.12.2011 after which there will be no further accrual of income. In short, taking the above example, from the beginning of the 2nd quarter, there will be no further accrual on income.
- On classification of the asset as NPA from a quarter following the due date of interest, all interest accrued and recognized in the books of accounts of the Fund till the date, should be provided for. For e.g. if interest income falls due on 30.09.2011, accrual will continue till 31.12.2011 even if the income as on 30.09.2011 has not been received. Further, no accrual will be done from 01.01.2012 onwards. Full provision will also be made for interest accrued and outstanding as on 30.09.2011.

### **(iv) Provision for NPAs**

Both secured and unsecured investments, once recognized as NPAs, call for provisioning in the same manner and where these are related to close ended scheme the phasing would be such to ensure full provisioning prior to the closure of the scheme or the scheduled phasing, whichever is earlier. The value of the asset must be provided in the following manner or earlier at the discretion of the fund. The Fund will not have the discretion to extend the period of

provisioning. The provisioning against the principal amount or installments should be made at the following rates irrespective of whether the principal is due for repayment or not.

- 10% of the book value of the asset should be provided for after 6 months following the due date of interest i.e. 3 months from the date of classification of the asset as NPA.
- 20% of the book value of the asset should be provided for after 9 months following the due date of interest i.e 6 months from the date of classification of the asset as NPA.
- Another 20% of the book value of the assets should be provided for after 12 months following the due date of interest i.e 9 months from the date of classification of the asset as NPA.
- Another 25% of the book value of the assets should be provided for after 15 months following the due date of interest i.e. 12 months from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 18 months following the due date of interest i.e 15 months from the date of classification of the assets as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method. If any installment is fallen due, during the period of interest default, the amount of provision should be installment amount or above provision amount, whichever is higher.

**(v) Reclassification of assets:**

Upon reclassification of assets as ‘performing assets’:

1. In case an issuer has fully cleared all the arrears of interest, the interest provisions can be written back in full.
2. The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.
3. In case the issuer has fully cleared all the arrears of interest, the interest not credited on accrual basis would be credited at the time of receipt.
4. The provision made for the principal amount can be written back in the following manner :-
  - 100% of the asset provided for in the books will be written back at the end of the 2nd quarter where the provision of principal was made due to the interest defaults only.
  - 50% of the asset provided for in the books will be written back at the end of the 2nd quarter and 25% after every subsequent quarter where both installments and interest were in default earlier.
5. An asset is reclassified as ‘standard asset’ only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

**(vi) Receipt of past dues:**

When the fund has received income/principal amount after their classification as NPAs;

- For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will continue to be classified as NPA for these two quarters.
- During this period (2 quarters), although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding.
- If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (iv) above. Any excess provision will be written back.

**(vii) Classification of Deep Discount Bonds as NPAs:**

Investments in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied:

- If the rating of the Bond comes down to grade ‘BB’ or below.
- If the company is defaulting in their commitments in respect of other assets, if available.
- Full Net worth erosion.

Provision should be made as per the norms set at (iv) above as soon as the asset is classified as NPA. Full provision can be made if the rating comes down to grade ‘D’.

**(viii) Reschedulement of an asset:**

In case any company defaults either interest or principal amount and the Fund has accepted a reschedulement of the schedule of payments, then the following practice may be adhered to:

- a) In case it is a first reschedulement and only interest is in default, the status of the asset, namely, 'NPA' may be continued and existing provisions should not be written back. This practice should be continued for two quarters of regular servicing of the debt. Thereafter, this shall be classified as 'performing asset' and the interest provided may be written back.
- b) If the reschedulement is done due to default in interest and principal amount, the asset should be continued as non performing for a period of 4 quarters, even though the asset continues to be serviced during these 4 quarters regularly. Thereafter, this can be classified as 'performing asset' and all the interest provided till such date should be written back.
- c) If the reschedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the debt. The provision should be written back only after it is reclassified as 'performing asset'.

To provide appropriate details of the Scheme wise deployment of the assets of the Fund, certain accounting policies and standards in accordance with the appropriate guidance notes issued by the Institute of Chartered Accountants of India may be adopted by AMC and amended from time to time. The Trustees/AMC may alter these above stated accounting policies and standards from time to time, and also to the extent the guidance notes issued by the Institute of Chartered Accountants of India, and the SEBI (Mutual Funds) Regulations, 1996 change, so as to permit the Scheme to give a true and fair view of its state of affairs. As such the accounting policies and standards, and the preparation of the annual report and annual statement of account of the Scheme will be in accordance with SEBI (Mutual Funds) Regulations, 1996, including Schedule IX and XI thereof.

## SECTION VI. TAX & LEGAL & GENERAL INFORMATION

### A. TAXATION ON INVESTMENT IN MUTUAL FUNDS

The following outline of tax implications is provided for general information purposes only, based on the law prevailing as at the date of this document and also incorporating the amendments made by the Finance Act, 2017. These implications should be considered in light of the specific facts of each individual case. Furthermore, in the event of periodic amendments to the relevant legislation, the nature and / or quantum of these benefits / implications are subject to change.

Accordingly, it is recommended that each unit holder should appropriately consult its tax consultant with respect to the specific tax implications arising out of their participation in the scheme.

#### I. To the Mutual Fund:

##### *Income in the hands of the Mutual Fund*

The entire income of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 ('SEBI') or any regulations made thereunder is exempt from income tax in accordance with the provisions of section 10(23D) of the Income-tax Act, 1961 ('the Act').

Mutual Funds may invest in the units of securitisation trusts. The key features of the taxation regime for securitisation trusts are as under:

- Tax pass-through status is accorded to trusts set-up by ARCs and securitisation trusts.
- Exemption in respect of income of investor from securitisation trust should not be available, and hence the same should be taxable in the hands of the investors. However, the income received by a mutual fund from a securitisation trust should still continue to remain exempt, as section 10(23D) of the Act provides exemption to the entire income earned by a mutual fund.
- Tax should be deducted at source by the securitisation trust at the rate of 25% in case the payments are made to resident individuals/ HUFs and at the rate of 30% in case payments are made to other resident assesseees. However, income received by a mutual fund should not be liable to deduction of tax at source in accordance with the provisions of section 196(iv) of the Act. Even otherwise, no tax should be deducted at source by a securitisation trust while making payments to a mutual fund, as any income received by a mutual fund is entirely exempt from tax under section 10(23D) of the Act.

Income received by such a Mutual Fund is not liable for the deduction of income tax at source as per the provisions of section 196(iv) of the Act. Where the Mutual Fund receives any income from investments made in overseas jurisdictions, this income may be subject to withholding in the relevant jurisdiction. As the income of the Mutual Fund is exempt from tax in India, credits/ refunds in relation to these foreign taxes may not be available in India.

Mutual Funds may earn dividend income from its investments in shares of Indian companies. As per section 115BBDA of the Act, dividend income earned by specified assesseees in excess of INR 10 lakhs is chargeable to tax at the rate of 10%.

As per Explanation to section 115BBDA of the Act, "specified assesseees" means a person other than (i) a domestic company; or (ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or (iii) a trust or institution registered under section 12A or section 12AA.

Thus, mutual funds are not excluded from the definition of "specified assesseees". However, any income received by mutual funds is exempt from tax under section 10(23D) of the Act. In view of the non-inclusion of mutual fund for

the purpose of section 115BBDA of the Act, there could be litigation with the tax authorities with respect to exemption from dividend income.

### ***Distribution of income by the Mutual Fund to the unit holders***

Under section 115R of the Act, where the income is distributed to the unit holders, the Mutual Fund is required to pay tax on the income distributed by it, as under:

- **In the case of other than equity oriented fund, being a money market mutual fund or liquid fund**

@ 25% plus surcharge on such income tax @ 12% plus education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge, on income distributed to individuals and Hindu Undivided Family ('HUFs'); and

@ 30% plus surcharge on such income tax @ 12% plus education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge, on income distributed to persons other than individuals and HUFs.

- **In case of other than equity oriented fund, not being a money market mutual fund or a liquid fund (including infrastructure debt funds)**

#### In the case of Infrastructure Debt Fund

@ 5% plus surcharge on such income tax @ 12% plus education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge, on income distributed to a non-resident by an Infrastructure Debt Fund ('IDF').

#### In the case of other than Infrastructure Debt Fund

@ 25% plus surcharge on such income tax @ 12% plus education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge, on income distributed to individuals and HUFs;

@ 30% plus surcharge on such income tax @ 12% plus education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge, on income distributed to persons other than individuals and HUFs; and

Proviso (b) to section 115R(2) of the Act specifically exempts equity oriented mutual funds from distribution tax on income distributed.

As per section 115R of the Act, additional income-tax on the income distributed to unit-holders should be levied on the amount of income to be distributed including such additional tax (i.e. grossing-up), as against levy on only the amount of income to be distributed. This may result in a higher effective tax rate.

The expression 'money market mutual fund' has been defined in Explanation (d) to section 115T of the Act which means a scheme of a Mutual Fund which has been set up with the objective of investing exclusively in money market instruments as defined in sub-clause (p) of clause (2) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

The expression 'liquid fund' has been defined in Explanation (e) to section 115T of the Act which means a scheme or plan of a Mutual Fund which is classified by the SEBI as a liquid fund in accordance with the guidelines issued by it in this regard under the Securities and Exchange Board of India Act, 1992 or the regulations made thereunder.

The expression 'Infrastructure debt fund' has been defined in clause 1 of the regulation 49L of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996. As per clause 1 of regulation 49L, an 'infrastructure debt fund scheme' would mean a scheme which invests primarily (minimum 90% of scheme assets) in debt securities or securitized debt instrument of infrastructure companies, infrastructure capital companies, infrastructure projects, special purpose vehicles, etc. or other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles.



## **Classification of the fund as an ‘equity oriented fund’ or ‘other than equity oriented fund’ for the purposes of the Act**

The expression ‘equity oriented fund’ has been defined in Explanation (b) to section 115T of the Act to include a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five per cent of the total proceeds of the fund. Furthermore, as per the proviso to Explanation (b) to section 115T, the percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

### **II. To the unit holders:**

#### ***Deduction from total income***

Under section 80C of the Act, an assessee, being an individual or HUF, is eligible to claim a deduction up to an aggregate of INR 1.5 lakhs on account of sums paid as subscription to units of an Equity Linked Savings Scheme (‘ELSS’).

ELSS refers to a scheme formulated under Equity Linked Savings Scheme, 2005, as notified by the Central Board of Direct Taxes (‘CBDT’), Ministry of Finance *vide* notification dated 3 November, 2005 as amended *vide* notification dated 13 December, 2005.

Under section 80CCG of the Act, an assessee who is a resident individual with a gross total income of upto INR 12 lakhs can invest in eligible securities (which includes units of certain listed mutual funds schemes) under Rajiv Gandhi Equity Savings Scheme (‘RGESS’) in accordance with the scheme as notified by the Central Government and claim a tax benefit on 50% of the amount invested to the extent the deduction does not exceed INR 25,000. Deduction with respect to investment in RGESS is available for three consecutive years beginning with the year in which such units were first acquired. Investors may note that, eligibility for deduction under section 80CCG of the Act shall be subject to compliance with various provisions of the scheme as notified by the Central Government and other applicable tax laws. No deduction under section 80CCG of the Act shall be allowed from AY 2018-19 onwards. However, in case any assessee who has acquired units of equity oriented scheme and claimed deduction upto AY 2017-18, shall be allowed deduction till AY 2019-20, if he is otherwise eligible to claim deduction in accordance with the provisions of section 80CCG of the Act.

#### ***Securities Transaction Tax***

Under chapter VII of the Finance (No. 2) Act, 2004, the unit holder is liable to pay Securities Transaction Tax (‘STT’) on any ‘taxable securities transaction’ at the applicable rate. Taxable securities transactions include the purchase or sale of units of an equity oriented fund, entered into on the stock exchange or the sale of units of an equity oriented fund to the Mutual Fund.

The purchaser of the units of an equity oriented fund is not liable to pay STT where the purchase is entered into on a recognized stock exchange and the contract for the purchase of such units is settled by the actual delivery or transfer of such units.

The seller of the units of an equity oriented fund is liable to pay STT at 0.001% where the sale is entered into on a recognized stock exchange and the contract for sale of such units is settled by the actual delivery or transfer of such units.

At the time of the sale of units of an equity oriented fund to the Mutual Fund, the seller is required to pay STT @ 0.001%.

STT is not applicable on purchase/ sale/ redemption of units other than equity oriented units.

STT is not deductible for the computation of capital gains. However, if it is held that gains on the sale of securities are in the nature of business profits, then for the purpose of computing the business income, an amount equivalent to the STT paid on the transaction value will be allowed as a deduction from the gains earned, under section 36 of the Act.

### ***Incomes from units***

Under the provisions of section 10(35) of the Act, any income (other than income arising from the transfer of units) received by any person on the units of the Mutual Fund is exempt from income tax.

### ***Gains on transfer / redemption of units***

Gains arising on transfer / redemption of units, as well as from switching between schemes will be chargeable to tax under the Act. The characterisation of income from investments in securities as 'business income' or 'capital gains' should be examined on a case-by-case basis.

However, the CBDT has issued a circular<sup>1</sup> which states the following:

- Where the assessee opts to treat the listed shares/ securities as stock-in-trade, the income arising from the transfer of such listed shares/ securities would be treated as business income.
- If the assessee desires to treat the gains arising from transfer of listed shares/ securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

The aforementioned circular shall not apply in a case where the genuineness of the transaction itself is questionable.

As per section 2(14) of the Act, any investment in securities made by Foreign Institutional Investors<sup>2</sup> ('FIIs') in accordance with the regulations made under the Securities and Exchange Board of India would be treated as a capital asset. Consequently, any income arising from transfer of securities by FIIs are to be treated in the nature of capital gains.

#### ***o Business Income***

Where the units of the Mutual Fund are regarded as business assets, then any gains arising from the transfer / redemption of units would be taxed under the head of "Profits and gains of business or profession" under section 28 of the Act. The gain / loss is to be computed under the head of "Profits and gains of business or profession" after allowing for normal business expenses (inclusive of the expenses incurred on the transfer).

Business income is chargeable to tax at the following rates:

<b>Assessee</b>	<b>% of Income Tax</b>
Individuals, HUFs, Association of Persons	Applicable Slab Rate
Domestic company having turnover/ gross receipt not exceeding INR 50 crore in financial year 2015-16	25%
Partnership Firms, including Limited Liability Partnerships ('LLPs') & Domestic Company (having turnover/gross receipt exceeding INR 50 crore in financial year 2015-16)	30%
Foreign Companies	40%

Unless specifically stated, the income-tax rates specified above and elsewhere in this document are exclusive of the applicable surcharge, education cess and secondary and higher education cess. The rates of surcharge applicable for assessment year 2018-19 are given below:

<b>Type of Investor</b>	<b>Surcharge* rate as a % of income-tax</b>
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<sup>1</sup> Circular no. 6/ 2016 dated February 29, 2016

<sup>2</sup> As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.

	<b>If income is less than INR 50 lakhs</b>	<b>If income exceeds INR 50 lakhs but less than INR 1 crores</b>	<b>If income exceeds INR 1 crore but less than INR 10 crores</b>	<b>If income exceeds INR 10 crores</b>
Individual, HUF, AOP (Resident & foreign)	Nil	10%	15%	15%
Partnership firm (Domestic & foreign)	Nil	Nil	12%	12%
Domestic Company	Nil	Nil	7%	12%
Foreign Company	Nil	Nil	2%	5%

\* Additionally, education cess and secondary and higher education cess is leviable @ 3% on the income tax and surcharge as computed above.

#### o **Capital Gains**

The mode of computation of capital gains would be as follows:

Sale Consideration	xxx
Less: Cost of Acquisition (Note 1)	(xxx)
Expenses on Transfer (Note 2)	(xxx)

**Capital Gains** **xxx**

Note 1: In case of the computation of long term capital gains, the option of indexation of cost is available.

Note 2: This would include only expenses relating to transfer of units.

In case of ELSS, the units are subject to a lock-in period of 3 years. Accordingly, any sale of units after this lock-in period will qualify as a long term capital gain.

#### • **Long term capital gains**

#### **In the case of other than equity oriented fund, including a money market mutual fund or a liquid fund**

Capital gains arising on transfer or redemption of 'other than equity oriented units' should be regarded as long-term capital gains, if such units are held for a period of more than 36 months immediately preceding the date of such transfer.

As per section 112 of the Act, tax on income on long-term capital gains arising from the transfer of units shall be taxable at the rate of 20% plus applicable surcharge and education cess @ 3% on the amount of tax and surcharge, after substituting the indexed cost of acquisition for the cost of acquisition.

Furthermore, long-term capital gains in the case of non-residents would be taxable @ 10% on the transfer of capital assets, being unlisted securities, computed without giving effect to the first and second proviso of section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

The benefit of indexation will, however, not be available to specified offshore fund which is taxable @ 10% plus the applicable surcharge and education cess @ 3% on the total amount of tax and surcharge in terms of section 115AB of the Act.

The benefit of indexation will also not be available to FIIs<sup>3</sup> who are taxed under section 115AD of the Act @ 10% plus applicable surcharge and education cess @ 3% on the total amount of tax and surcharge.

In cases where the taxable income, reduced by long term capital gains of a resident individual or HUF is below the taxable limit, the long term capital gain will be reduced to the extent of this shortfall and only the balance of the long term capital gain is chargeable to income tax.

The following deductions are available on long term capital gains arising on the transfer of Mutual Fund units, if the sale proceeds are invested in eligible avenues:

Particulars	Section 54 EC	Section 54F	Section 54EE
Eligible persons	All assesseees	Individuals and HUFs	All assesseees
Asset to be purchased to claim exemption	Specified Bonds of National Highways Authority of India and Rural Electrification Corporation Limited or any other bond notified by the Central Government in the official gazette (cap of INR 50 lakhs in a financial year)	One residential house in India	Long term specified asset - i.e. units issued before 1 April 2019, by any fund notified by the Central Government. (cap of INR 50 lakhs in any financial year in any long term specified asset post 1 April 2016)
Time limit for purchase from date of sale of MF units	6 months	Purchase: 1 year backward / 2 years forward or Construction: 3 years forward	6 months
Amount Exempted	Investment in the new asset or capital gain whichever is lower	Capital gains proportionate to the investment made from the sale proceeds (subject to other conditions of owning / purchasing the residential house mentioned in the section)	Investment in the new asset or capital gain whichever is lower
Lock-in period	3 years	3 years	3 years

The investment under section 54EC on account of which the exemption has been claimed from long term capital gains will not be available for deduction under section 80C of the Act.

### **In the case of equity oriented fund**

Capital gains arising on transfer or redemption of equity oriented units shall be regarded as long-term capital gains if such units are held for a period of more than 12 months, immediately preceding the date of transfer.

Long term capital gains arising from the transfer of such units are exempt under section 10(38) of the Act. Units of equity oriented funds (which may include ELSS) are subject to STT. The Mutual Fund would recover the STT from the unit holder at the applicable rate.

- *Short term capital gains*

### **In the case of other than equity oriented fund, including a money market mutual fund or a liquid fund**

Short term capital gains arising from the transfer of units of funds other than equity oriented scheme would be chargeable to tax as follow:

<sup>3</sup> As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.

Short term capital gains are taxed at the normal rates applicable to each unit holder. In case where the taxable income as reduced by short term capital gains of a resident individual or HUF is below the taxable limit, the short term capital gain will be reduced to the extent of this shortfall and only the balance short term capital gain is chargeable to income tax.

### **In the case of an equity oriented fund**

Short term capital gains arising from the transfer of units of an 'equity oriented fund' (as defined under section 115T of the Act), being subject to STT would be charged to tax under section 111A of the Act @ 15% (plus the applicable surcharge, education cess and secondary and higher education cess). The Mutual Fund would recover the STT from the unit holder at the applicable rate when the units are re-purchased by the Mutual Fund/ redeemed by the investor.

- ***Capital losses***

Losses under the head capital gains cannot be set off against income under any other head. Furthermore, within the head capital gains, losses arising from the transfer of long term capital assets cannot be adjusted against gains arising from the transfer of a short term capital asset. However, losses arising from the transfer of short term capital assets can be adjusted against gains arising from the transfer of either a long term or a short term capital asset.

Under section 10(38) of the Act, long term capital gains on sale of units of an equity oriented fund are exempt from income tax subject to certain conditions. Hence, losses arising from such transactions would not be eligible for set off against taxable capital gains.

Unabsorbed long term capital losses (other than the losses relating to sale of units of equity oriented fund as stated above) can be carried forward and set off against the long term capital gains arising in any of the subsequent eight assessment years. Unabsorbed short term capital losses can be carried forward and set off against the income under the head capital gains in any of the subsequent eight assessment years.

- ***Consolidation / Merger of schemes***

In case of consolidation of mutual fund schemes, the investors generally receive units in the consolidated scheme in consideration of units held in the consolidating scheme. The following provisions are applicable in case of consolidation of mutual fund schemes:

- As per section 47(xviii) of the Act, any transfer of units held by the investor in the consolidating scheme of the mutual fund in consideration of allotment of units in the consolidated scheme, shall not to be regarded as a taxable transfer, provided that the consolidation is of two or more schemes of an equity oriented fund or two or more schemes of a fund other than equity oriented fund.
- Further, as per section 49(2AD) of the Act, the cost of acquisition of units in the consolidated scheme shall be deemed to be the cost of acquisition of the units in the consolidating scheme. Also, as per section 2(42A) of the Act, the period of holding of the units in the consolidated scheme shall include the period of holding of the units in the consolidating scheme.
- 'Consolidating scheme' has been defined under section 47(xviii) of the Act as the scheme of a Mutual Fund which merges under the process of consolidation of the schemes of mutual fund in accordance with the SEBI (Mutual Funds) Regulations, 1996. 'Consolidated scheme' has been defined as the scheme with which the consolidating scheme merges or which is formed as a result of such merger.

- ***Consolidation of plans within a scheme of a mutual fund***

In case of consolidation of mutual fund plans within a scheme, the investors generally receive units in the consolidated plan in consideration of units held in the consolidating plan. As per section 47(xix) of the Act, any transfer of units (held by the investor as a capital asset) on account of a consolidation of a plan with other plans of the same scheme shall not be regarded as a taxable transfer.

The Finance Act, 2017, has provided that the cost of acquisition of the units in the consolidated plan shall be the cost of units in consolidating plan. Furthermore, the period of holding of the units of consolidated plan shall include the period for which the units in consolidating plan were held by the assessee.

### ***Minimum Alternate Tax/Alternate Minimum Tax***

Where, the income tax payable on the total income as computed under the Act is less than the tax computed at 18.5% of its book profits, then such book profits shall be deemed to be the total income of the company and the tax payable should be at the rate of 18.5% (plus applicable surcharge and cesses) on such book profits.

Where MAT has been paid, credit is available in subsequent financial years for the MAT paid in excess of income-tax payable in a financial year. This credit should be eligible to be carried forward for 15 years and set-off against future income-tax payable to the extent normal income-tax payable exceeds MAT in that financial year.

The income on the transfer of Mutual Fund units by a company would be taken into account in computing the book profits and Minimum Alternate Tax, if any, under section 115JB of the Act (irrespective of whether or not it is exempt under section 10(38) of the Act).

The taxable income on transfer of Mutual Fund units would be taken into account in computing the Adjusted Total Income and Alternate Minimum Tax, if any, under section 115JC<sup>4</sup> of the Act.

### ***Tax deduction at source on capital gains***

- **Resident unit holders**

No income tax is required to be deducted at source from capital gains arising on transfer of units by resident unit holders.

- **In the case of other than equity oriented fund**

**A) Non-Resident Individual unit holders**

Tax is required to be deducted at source on payment of any sum chargeable under the provisions of the Act to a non-resident under section 195 of the Act at the following rates.

- On income by way of long-term capital gains 20% (plus applicable surcharge and education cess) with indexation for listed units OR 10% (plus applicable surcharge and education cess) without indexation for unlisted units
- On income by way of short term capital gains @ 30% (plus applicable surcharge and education cess)

A non-resident, eligible to claim treaty benefits, would be governed by the provisions of the Act to the extent that they are more beneficial. Accordingly, tax should be withheld as per the provisions of the Act or the provisions of the relevant Double Taxation Avoidance Agreement ('DTAA'), whichever is more beneficial to the assessee. However, the unit holder will be required to provide appropriate documents to the Fund in order to be entitled to a beneficial rate under such DTAA.

As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a Tax Residency Certificate ('TRC') of being a resident of his home country. Furthermore, as per section 90(5) of the Act, non-resident is also required to provide such other documents and information, in Form 10F.

**B) Offshore fund unit holders**

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<sup>4</sup> Section 115JC is applicable to all persons other than company which has claimed any deduction under Chapter VI-A under the heading 'C- Deductions in respect of certain incomes' (other than section 80P) or section 10AA.

Under section 196B of the Act, tax shall be deducted at source from long term capital gains @ 10% plus applicable surcharge, education cess and secondary and higher education cess @ 3% on the amount of tax and surcharge.

Tax is required to be deducted at source under section 195 of the Act, on payment to a non-resident of any sum chargeable under the provisions of the Act, at the applicable rates. A non-resident, eligible to claim treaty benefits, would be governed by the provisions of the Act to the extent that they are more beneficial. Accordingly, tax should be withheld as per the provisions of the Act or the provisions in the DTAA whichever is more beneficial to the assessee, subject to certain conditions. However, the unit holder will be required to provide appropriate documents to the Fund, in order to be entitled to a beneficial rate under the relevant DTAA. As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a TRC of being a resident of his home country. Furthermore, as per section 90(5) of the Act, a non-resident is also required to provide such other documents and information, in Form 10F.

- **In the case of an equity oriented fund for non-resident unit holders (including offshore fund unit holders)**

Tax is required to be deducted at source under section 195 of the Act on payment to a non-resident on any sum which is chargeable under the provisions of the Act, at the following rates:

- Income from way of long term capital gains arising from the transfer of units, subject to STT - Nil.
- On income by way of short term capital gains arising from the transfer of units, subject to STT @ 15% (plus applicable surcharge and education cess).

Tax is required to be deducted at source under section 195 of the Act, on payment to a non-resident of any sum chargeable under the provisions of the Act, at the applicable rates. A non-resident, eligible to claim treaty benefits, would be governed by the provisions of the Act to the extent that they are more beneficial than the DTAA. Accordingly, tax should be withheld as per the provisions of the Act or the provisions in the DTAA, whichever is more beneficial to the assessee, subject to certain conditions. However, the unit holder will be required to provide appropriate documents to the Fund, in order to be entitled to a beneficial rate under the relevant DTAA.

As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a TRC of being a resident of his home country. Furthermore, as per section 90(5) of the Act, a non-resident is also required to provide such other documents and information, in Form 10F.

- **Foreign Institutional Investors/ Foreign Portfolio Investors**

As per the provisions of section 196D of the Act, no deduction of tax shall be made from any income from capital gains arising from the transfer of securities referred to in section 115AD, payable to FIIs<sup>5</sup>.

**Failure to provide Permanent Account Number ('PAN')**

Section 206AA of the Act states that the deductee is required to furnish his PAN to the deductor failing which the deductor shall deduct tax at source at the higher of the following rates:

1. The rate prescribed in the Act;
2. The rate in force i.e., the rate mentioned in the relevant Finance Act; or
3. The rate of 20%.

However, as per notification no. 53/2016, in the case of a non-resident, not being a company, or a foreign company and not having PAN, the aforementioned provisions of section 206AA of the Act shall not be applicable on payments for transfer of capital asset, if the following documents are provided by the deductee to the deductor:

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<sup>5</sup> As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.

- Name, e-mail address, contact number and address;
- A certificate of the deductees being resident in their respective countries from the Governments of those countries if the law of that country provides for issuance of such certificate; and
- Tax Identification Number or a unique number on the basis of which the deductees could be identified by their Governments as a resident of those countries.

### **Dividend stripping**

As per section 94(7) of the Act, loss arising on sale of units which are bought within 3 months of the record date and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempted income received or receivable on such units.

### **Bonus stripping**

As per section 94(8) of the Act, units purchased within a period of 3 months prior to record date of entitlement of bonus and sold within a period of 9 months after such date, the loss arising on the transfer of original units shall be ignored for the purpose of computing the income chargeable to tax.

The amount of loss ignored shall be deemed to be the cost of purchase / acquisition of the bonus units.

### **III. Religious and Charitable Trust**

Investments in units of the Mutual Fund will rank as an eligible form of investment under section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962 for Religious and Charitable Trusts.

### **IV. New pension scheme**

Any income, including gains from redemption of Mutual Fund units, received by any person for, or on behalf of, the New Pension System Trust (as established under the provisions of Indian Trust Act, 1882, on 27 February, 2008), is exempt in the hands of such person under section 10(44) of the Act.

STT is not leviable in respect of taxable securities transactions entered into by any person for, or on behalf of, the New Pension System Trust referred to in section 10(44) of the Act.

### **V. Gift-tax**

The Gift-tax Act, 1958 was repealed on 1 October 1998. Gift of Mutual Fund units would be subject to income tax in the hands of the donee. As per section 56(2)(x), receipts of securities, the fair market value of which exceeds fifty thousand rupees, without consideration or without adequate consideration is taxable as income in the hands of the recipients.

Further the above provision of section 56(2)(x) shall not apply to any units/shares received by the donee:

- (a) From any relative; or
- (b) On the occasion of the marriage of the individual; or
- (c) Under a will or by way of inheritance; or
- (d) In contemplation of death of the payer or donor, as the case may be; or
- (e) From any local authority as defined in the Explanation to clause (20) of section 10 of the Act; or
- (f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act; or
- (g) From any trust or institution registered under section 12AA of the Act; or
- (h) By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or
- (i) By way of transaction not regarded as transfer under clause (i) or clause (vi) or clause (via) or clause (vii) or clause (viii) or clause (ix) or clause (x) or clause (xi) or clause (xii) or clause (xiii) or clause (xiv) or clause (xv) or clause (xvi) or clause (xvii) or clause (xviii) or clause (xix) or clause (xx) of section 47; or
- (j) From an individual by a trust created or established solely for the benefit of relative of the individual.



The term 'relative' shall mean:

A] In the case of an Individual -

- (i) The spouse of the individual
- (ii) The brother or sister of the individual
- (iii) The brother or sister of the spouse of the individual
- (iv) The brother or sister of either of the parents of the individual
- (v) Any lineal ascendant or descendant of the individual
- (vi) Any lineal ascendant or descendant of the spouse of the individual
- (vii) The spouse of the person referred to in clauses (ii) to (vi), and

B] In case of a HUF, any member thereof.

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## **B. LEGAL INFORMATION**

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### **MODE OF HOLDING**

The mode of holding may be "single", "joint" or "either/anyone or survivor".

When units are held "singly", all notices, correspondences, distributions, redemptions etc. would be sent to the single holder. Where Units are jointly held, the person first-named in the Application Form will receive all notices and correspondences with respect to the Account, as well as any distributions through dividends, redemptions or otherwise. Such person shall hold the voting right, if any, associated with the Units. However, all documentation/purchase applications/redemption requests/enrollment forms shall necessarily be signed by all the holders. All payments and settlements etc. made to such first named holder shall be a valid discharge by the Fund and the liability of the Mutual Fund in this regard shall be only to the first-named holder.

When Units are held as "either/anyone or survivor", the person first-named in the Application Form will receive all notices and correspondences with respect to the Account, as well as any distributions through dividends, redemptions or otherwise. Any one of the Joint holders (in case of either/ anyone or survivor) shall hold the voting right, if any, associated with the Units and all documentation/purchase applications/redemption requests/ enrolment forms may be signed by any one of the joint holders (in case of either/anyone or survivor) and the Mutual Fund will act on the instructions of the first holder/anyone of the joint account holders. However under all the cases ("joint" or "either/anyone or survivor" and without percentage allocation of investment amongst joint holders), the Fund shall recognize the first named joint holder as the unit holder and all payments and settlements, etc. made to such first-named holder shall be a valid discharge by the Fund and the Fund shall not be liable to any other joint applicants in this regard.

In case the joint holder/s want to nominate nominees, all joint-holders should jointly indicate the nominees.

### **"On behalf of Minor" Accounts / Folios:**

- 1) The Minor shall be the First and Sole Unitholder in the Account / Folio. There shall not be any Joint Accounts with Minor as the First or Joint Unit holder;
- 2) Only Natural Guardian (i.e. Father or Mother) or a Court appointed Legal Guardian shall be permitted as Guardian to the Folio held on behalf of the Minor;
- 3) Information on relationship with the Minor and valid \*Supporting Document evidencing the same has to be mandatorily submitted along with the Application Form;

Information on the Date of Birth of the Minor and valid \*Supporting Document evidencing the same has to be mandatorily submitted along with the Application Form.

### **A) Status Change - On Minor Attaining Majority**

- 1) Principal Pnb Asset Management Company Private Ltd. (AMC) / Karvy Computershare Pvt. Ltd. (Registrar) shall send an advance notice to the registered correspondence address advising the Minor and Guardian to submit a “#Service Request Form” along with the mandatory enclosures, in order to effect the change of status in the Folio/Account from ‘Minor’ to ‘Major’;
- 2) No financial and non-financial transactions including fresh registration of Systematic Investment Plans (SIPs), Systematic Transfer Plans (STPs), Regular Withdrawal Plans (RWP) etc. shall be permitted, till such time a duly filled in above mentioned “ #Service Request Form” along with mandatory enclosures are duly received and updated in the status of the Folio / Account by the AMC/Registrar;
- 3) Existing Standing Instructions which are registered for a period beyond the Minor’s date of attaining majority shall continue to be processed till such time an instruction from the Major to terminate the same is received by the AMC/Registrar along with a “#Service Request Form” and the mandatory enclosures. Such Standing Instructions shall be terminated within 30 days from the date of receiving such Instructions.
- 4) Standing Instructions preferred with the AMC/Registrar effective April 1, 2011, shall be registered only till the date of Minor attaining Majority.

# Service Request Form is available on [www.principalindia.com](http://www.principalindia.com) or can be obtained at any of our Official Point of Acceptance of Transactions (OPT).

#### **B) Change in Guardian:**

In case of Folios held on behalf of Minor, change in Guardian either due to mutual consent or demise of existing Guardian shall be registered on submission of following documents –

- 1) Request letter from the new Guardian;
- 2) No Objection Letter or Consent Letter from Existing Guardian or Court Order for new Guardian, in case the existing Guardian is alive;
- 3) Notarized / Attested copy of the Death Certificate of the deceased Guardian, where applicable;
- 4) Only Natural Guardian (i.e. Father or Mother) or a Court appointed Legal Guardian shall be permitted as Guardian in the Folio held on behalf of the Minor;
- 5) Information on relationship with the Minor and valid \*Supporting Document evidencing the same has to be mandatorily submitted along with the Request Letter;
- 6) Bank Attestation attesting the signature of the new Guardian in a Bank Account of the Minor where the new Guardian is registered as the Guardian;
- 7) KYC Acknowledgement Letter of the New Guardian.

\* Supporting Document shall mean and include Birth Certificate of the Minor, School leaving Certificate/Mark Sheet issued by Higher Secondary Board of respective States, ICSE, CBSE etc., Passport of the Minor or such other valid document duly attested by a Gazetted Officer. In case of Legal Guardian, supporting legal documentation duly attested by a Gazetted Officer should be submitted.

#### **NOMINATION FACILITY**

If an application is made in the name of a single individual holder or jointly not exceeding three individuals (under any mode of holding) the unitholders can request a Nomination Form to nominate beneficiary(s)/successor(s) (upto three) to receive the Units upon his/her/their death, to the extent provided in the Regulations. Unitholders can nominate individuals not exceeding three (jointly) as beneficiary(s)/successor(s) to receive the units either on first holder basis or in a particular percentage allocation upon his/her/their death. Nomination shall be maintained at the Folio/Account Level and shall be applicable for all investments in all Scheme(s) in the Folio/Account. Nomination shall be mandatory for new Folio(s)/Account(s) opened by an Individual especially with sole holding and no new Folio / Account for individuals in single holding shall be opened without nomination. Even those investors who do not wish to nominate must sign separately confirming their non-intention to nominate.

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such units of the Scheme, where a nomination made in the prescribed manner purports to confer on any person(s) the right to vest the units of the scheme, the nominee(s) shall, on the death of the unitholders (single holder or all the joint holders) of the scheme become entitled to all the rights in the units of the Scheme (as an agent & trustee) to the exclusion of all other persons, unless the nomination is varied or cancelled in the

prescribed manner. In case of 3 joint nominee(s) without any percentage allocation the first named nominee alone has the right to receive the amount due in respect of units in the event of death of the unitholder(s). In case of 3 joint nominee(s) with a particular percentage allocation, all payouts and settlements would be made to all successors in the particular percentage as stated by the unitholder(s). If no percentage is stated for allocation amongst nominees and if the first named nominee predeceases the unitholder(s) and the unitholder(s) has/have not cancelled or substituted the nomination, second named nominee shall be entitled to receive the amount due in respect of the units of the deceased unitholder(s). However, the nomination will cease to be valid on units repurchased/ by the original unitholder in full or being transferred by operation of law or upon enforcement of a pledge/charge. All payments and settlements made to such nominee(s) (as agent & trustee) and a receipt thereof shall be a valid discharge by the Fund. Folio held on behalf of Minor, Power Of Attorney holder, societies, Funds, bodies corporate, partnership firms and HUF shall have no right to make any nomination. Nomination in favor of Nonresidents will be governed by the rules formulated by Reserve Bank of India from time to time.

Nomination can also be made for units which are pledged and offered as security in favour of any entity/body for any purpose but only after “approval”/ “no objection” clearance from such entity/body. Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such pledge units of the scheme, where a nomination made in the prescribed manner purports to confer on any person(s) the right to vest the pledged units of the scheme, the nominee(s) shall, on the death of the unitholder(s) (single holder or all the joint holders) of the scheme become entitled to all the rights in the pledged units of the scheme to the exclusion of all other persons except the entity/body in whose favour the units are pledged by way of lieu, unless the nomination is cancelled or varied.

The provisions for nomination with regard to Mutual Funds would be as per Section 56 and Section 69 (regarding the right of the beneficiary to transfer possession) of the Indian Trust Act, 1882 since the Mutual Fund is formed as a Trust under the said Act. However, acceptance of such nomination/ appointment of beneficiary would be at the entire discretion of the Fund taking into consideration the provisions of the Indian Trust Act and the Mutual Fund assumes no responsibility therefore, and the unitholder(s) would be liable for the loss resulting from a fraudulent nomination/appointment of beneficiary based on the unitholder(s) (single holder or joint-holders) instructions, that the Fund reasonably believed as genuine.

By provision of this facility the AMC is not in any way attempting to grant any rights other than those granted by law to the nominee. A nomination in respect of the Units does not create an interest in the property after the death of the Unitholder. The nominee shall receive the Units only as an agent and trustee for the legal heirs or legatees as the case may be. It is hereby clarified that the nominees under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination and the transmission of units would normally be governed as per succession certificate/probate of the will.

The nomination can be made only by individuals applying for / holding units on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney and guardian holding Folio on behalf of Minor cannot nominate. If the units are held jointly, all joint holders will sign the request for nomination/cancellation of Nomination, even if the mode of holding is not “Joint”. A minor can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the unit holder. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust. The Nominee shall not be a trust other than religious or charitable trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a Nominee subject to the exchange controls in force, from time to time. Nomination in respect of the units stands rescinded upon the transfer of units.

Transfer of units in favour of a Nominee shall be valid discharge by the asset management company against the legal heir. The cancellation of nomination can be made only by those individuals who hold units on their own behalf singly or jointly and who made the original nomination. Every new nomination for a Folio/Account will over write the existing nomination. On cancellation of the nomination, the nomination shall stand rescinded and the asset management company shall not be under any obligation to transfer the units in favour of the Nominee.

## **PLEDGE OF UNITS**

In conformity with the guidelines and notification issued by SEBI/Government of India/any other regulatory body from time to time and/or any statutory modification or re-enactment thereof, the units under the Scheme may be offered as security by way of a pledge/charge in favor of scheduled banks, financial institutions, NBFC, or any other body. The AMC and/or the Registrar will note and record such pledged units. Appropriate documentation has been drafted for this purpose and is available on request. However, disbursement of such loans will be at the entire discretion of the bank/financial institution/NBFC, any other regulatory body concerned and the Mutual Fund assumes no responsibility thereof.

However, in case of Equity Linked Savings Scheme(s), the units under the Scheme(s) can be pledged only after a period of 3 years from the date of allotment. Applications for pledge of units under Equity Linked Savings Schemes before completion of requisite lock in period shall not be accepted / shall be liable for rejection. The Mutual Fund/AMC/Trustee will not be responsible for loss arising out of such rejection.

### **Unclaimed Distribution Amount**

As per SEBI guidelines Ref: MFD/CIR/9/120/2000 dated November 24, 2000, unclaimed redemption and dividend amounts shall be deployed by the Fund in call money market or money market instruments and the investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing Net Asset Value. After a period of three years, this amount can be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such amount can be used for the purpose of investor education. The AMC shall make continuous efforts to remind the investors to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.

**Details on the folios where unclaimed redemption and/or dividend amount is lying has been made available on the website of Principal Mutual Fund. Investors may refer the website for information on the process of claiming unclaimed amount and the necessary forms/documents required for the same.**

### **Scheme Amendments**

The AMC may add to or otherwise amend either all or any of the terms of the Scheme, by duly complying with the guidelines of and notifications issued by SEBI/GOI/any other regulatory body that may be issued from time to time subject to the prior approval of SEBI, wherever required. Till the time the Scheme Information Document is revised and reprinted, an addendum giving details of each of the changes shall be attached to Scheme Information Document. The addendum shall be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Document already in stock. Further, arrangements will be made to provide changes in the Scheme Information Document in the form of a notice/any other manner in/at all the investor service centers/distributors/brokers office.

### **Prevention of Money Laundering**

Prevention of Money Laundering Act, 2002 (hereinafter referred to as "Act") came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by Department of Revenue, Ministry of Finance, Government of India. Further, SEBI vide its circular reference number ISD/ CIR/RR/AML/1/06 dated January 18, 2006 mandated that all intermediaries including Mutual Funds should formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures and also to adopt a Know Your Customer (KYC) policy. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI also issued another circular reference no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the Act inter-alia maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIUIND), New Delhi.

The investor(s) should ensure that the amount invested in the scheme is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, Prevention of Money Laundering Act, Prevention of Corruption Act and / or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued thereunder. To ensure appropriate identification of the investor(s) under its KYC policy and with a view to monitor transactions for the prevention of money laundering, Principal Mutual Fund reserves the right to seek

information, record investor's telephonic calls and / or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. It may re-verify identity and obtain any incomplete or additional information for this purpose.

The investor(s) and their attorney, if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/ passport/ driving license/PAN card, etc. and/or such documents or produce such information as may be required from time to time for verification of the identity, residential address and financial information of the investor(s) by the AMC/Mutual Fund. If the investor(s) or the person making payment on behalf of the investor(s), refuses / fails to provide the required documents/ information within the period specified in the communication(s) sent by the AMC to the investor(s) then the AMC, after applying appropriate due diligence measures, believes that the transaction is suspicious in nature within the purview of the Act and SEBI circulars issued from time to time and/or on account of deficiencies in the documentation, shall have absolute discretion to report suspicious transactions to FIU-IND and / or to freeze the folios of the investor(s), reject any application(s) / allotment of units and effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to payment of exit load, if any, in terms of the said communication sent by the AMC to the investor(s) in this regard.

The KYC documentation shall also be mandatorily complied with by the holders entering the Register of Members by virtue of operation of law e.g. transmission, etc. The Mutual Fund, AMC, Principal Trustee Company Pvt. Limited and their Directors, employees and agents shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios / rejection of any application / allotment of units or mandatory redemption of units due to non-compliance with the provisions of the Act, SEBI circular(s) and KYC policy and / or where the AMC believes that transaction is suspicious in nature within the purview of the Act and SEBI circular(s) and reporting the same to FIU-IND. Investors should note that it is mandatory to enclose KYC letter for all Investment Transactions.

### **Ultimate Beneficial Owner(s)**

Pursuant to the requirements of anti-money laundering related laws and regulatory guidelines, SEBI vide its master circular dated December 31, 2010 had mandated all registered intermediaries to obtain sufficient information from their investors about the identity of persons who beneficially own or control the securities account. Further, SEBI, vide its circular dated January 24, 2013, prescribed guidelines on identification of Ultimate Beneficial Owner(s) ('UBO'). For the purpose of these guidelines, UBO means –

- a. the natural person or persons who ultimately own, control or influence an investor; and/or
- b. persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

In case the investor or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, the guidelines pertaining to UBO are not applicable and hence details of shareholders or beneficial owners of such companies need not be provided.

The Fund / AMC reserves the right to reject application forms submitted by non-individual applicants / investors without filling the UBO declaration (forming part of the application form). Further, investors are requested to immediately inform the Fund / AMC in case of any change in the beneficial ownership details provided by them.

### **TRANSFER**

Units of the Scheme held in Physical Form shall be non-transferable. However, if a transferee becomes a holder of the Units by operation of law or upon enforcement of a pledge, then the AMC shall, subject to production of such evidence and submission of such documents, which in their opinion is sufficient, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units. Any addition / deletion of name from the folio of the Unit holder is deemed as transfer of Units. In view of the same, additions / deletions of names will not be allowed under any folio of the Scheme. The said provisions in respect of deletion of names will not be applicable in case of death of a Unit holder (in respect of joint holdings) as this is treated as transmission of Units and not transfer.

Further for units of the schemes held in electronic (demat) form, the units will be transferable (in terms of SEBI Circular No. CIR/IMD/DF/10/2010 dated August 18, 2010) and will be subject to the transmission facility in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

## **TRANSMISSION**

The scheme's units can be transmitted after completion of necessary formalities to the entitled person(s) in the event of death of unitholder. All the restrictions and limitations specified herein including those relating to lock-in period and creation of charge, will be binding also on the successors, legal heirs, pledgee or assigns of the investor.

AMFI vide its Best Practices Guidelines No.20/2010-10 and no. 135/BP/53/2014-15 dated February 11, 2015, has prescribed documents based on various kinds of scenario for transmission.

Kindly refer [www.principalindia.com](http://www.principalindia.com) for details on necessary documents under different transmission scenarios.

In the event the Units are to be transmitted to a Claimant who is a Minor, documents submitted including KYC Acknowledgement Letter, Bank Attestation, Indemnity should be of the Guardian of the Minor (Guardian should be only Natural Guardian or Legal Guardian).

The AMC reserves the right to seek additional documents if the amount involved in transmission exceeds R1 lakh on a case to case basis.

## **LISTING:**

In case of a close ended Scheme listed on the Stock Exchange(s), the procedure for transfer of Units will be similar to that for listed equity share and subject to the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as amended from time to time.

The trading will be as per settlement cycle. Buying or selling of units by investor can be made from the secondary market on National Stock Exchange at market prices through demat mode.

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

The Closed ended Scheme will come to an end as per specified period/duration of the Scheme. On maturity of the scheme, the outstanding units shall be redeemed and proceeds will be paid to the unitholders unless rolled over as per SEBI guidelines. In case the due date of maturity falls on a non-business day, the maturity date will be deemed to be the 'immediately following business day'. The open ended schemes have a perpetual life. The AMC, the Fund and Trustees reserve the right to make such changes/alterations to the Scheme (including charging of fees and expenses) to the extent permitted by the SEBI Regulations.

However, in terms of the SEBI Regulations, the Scheme may be wound up:

- i. On the happening of any event which, in the opinion of the Trustees, requires the Scheme to be wound up; or
- ii. Seventy five percent of the unitholders of the Scheme(s) pass a resolution that the Scheme be wound up; or
- iii. SEBI directs the Scheme to be wound up in the interest of the unitholders.

Where a Scheme is to be wound up pursuant to the above/SEBI Regulations, the Trustees shall give notice of the circumstances leading to the winding up of the Scheme to SEBI; and in two daily newspapers having circulation all over India and also in a vernacular newspaper circulating at the place where the Mutual Fund is established.

## **Effect of Winding Up**

On and from the date of the publication of the notice as stated above, the Trustee or the AMC as the case maybe, shall -

- Cease to carry on any business activities in respect of the Scheme so wound up;
- Cease to create or cancel units in the Scheme;
- Cease to issue or redeem units in the Scheme.

## **Procedure and Manner of Winding Up**

In the event of the Scheme being wound up, the AMC shall proceed as follows:

- The Trustee shall call a meeting of the unitholders to consider and pass necessary resolutions by simple majority of unitholders present and voting at the meeting for authorizing the AMC or any other person/agency to take the steps for winding up of the Scheme.
- The AMC or the person authorized as above shall dispose of the assets of the Scheme(s) concerned in the best interests of the unitholders of that Scheme.
- The proceeds of the sale made in pursuance of the above, shall in the first instance be utilized towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the unitholders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
- On the completion of the winding up, the AMC shall forward to SEBI and the unitholders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the unitholders and a certificate from the Auditors of the Fund.

Notwithstanding anything contained herein, the application of the provisions of SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until the winding up is completed or the Scheme ceases to exist.

After the receipt of report referred to in the above, if SEBI is satisfied that all measures for winding up of the Scheme have been completed, the Scheme shall cease to exist.

**\*FOREIGN ACCOUNT TAX COMPLIANCE ACT ('FATCA') AND COMMON REPORTING STANDARDS (CRS) REQUIREMENTS:**

The Government of India and the United States of America (US) have reached an agreement in substance on the terms of an Inter- Governmental Agreement (IGA) and India is now treated as having an IGA in effect from April 11, 2014. On similar lines the Organization of economic Development (OECD) along with G-20 countries has released a 'Standard for Automatic exchange of Financial Account Information in Tax Matters' commonly known as Common reporting Standard ('CRS'). India is signatory to the Multilateral Competent Authority Agreement (MCAA) for the purposes of CRS. Under FATCA/CRS provisions, Financial Institutions are obligated to obtain information about the financial accounts maintained by investors and report to the local Government/ notified tax authorities. In accordance with FATCA and CRS provisions, the AMC / Mutual Fund is required to undertake due diligence process and identify foreign reportable accounts and collect such information / documentary evidences of the FATCA/CRS status of its investors / Unit holders and disclose such information (through its agents or service providers) as far as may be legally permitted about the holdings/ investment returns to US Internal revenue Service (IRS)/any other foreign government or the Indian Tax Authorities, as the case may be for the purpose of onward transmission to the IRS/ any other foreign government pursuant to the new reporting regime under FATCA/CRS.

FATCA/CRS due diligence will be directed at each investor / Unit holder (including joint investor/Unitholder) and on being identified as a reportable person, all the folios will be reported. In case of folios with joint holders, the entire account value of the investment portfolio will be attributable under each such reportable person. An investor / Unit holder will therefore be required to comply with the request of the AMC / Mutual Fund to furnish such information as and when sought by the AMC for the AMC / Mutual Fund to comply with the information reporting requirements stated in IGA/MCAA and circulars issued by SeBI / AMFI in this regard. The information disclosed may include (but is not limited to) the identity of the investors/Unitholder(s) and their direct or indirect beneficiaries, beneficial owners and controlling persons. Investors / Unitholders should consult their own tax advisors regarding FATCA/CRS requirements with respect to their own situation.

The AMC/Mutual Fund reserves the right to reject any application/freeze any folio(s) held directly or beneficially for transactions in the event the applicant/Unitholder(s) fail to furnish the relevant information and/or documentation in accordance with FATCA/CRS provisions and as requested by the AMC/Mutual Fund.

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**C. GENERAL INFORMATION**

**UNDERWRITING**

The Scheme may also undertake underwriting and sub-underwriting activities in order to augment its income, after complying with the approval and compliance process specified in the SEBI (Underwriters) Rules and Regulations, 1993 and/or Reserve Bank of India and further subject to the following norms:

- The capital adequacy of the Mutual Fund for the purposes of SEBI (Underwriters) Rules and Regulations, 1993 shall be the net assets of the Scheme.
- The total underwriting obligation of the Scheme shall not exceed 50% of the total net asset value of the Scheme, or such limit as may be stipulated by the AMC and/or Trustees from time to time.
- The decision to take up any underwriting commitment shall be made as if the Scheme is actually investing in that particular security.
- As such, all investment restrictions and prudential guidelines relating to investments, individually and as far as may be applicable, apply to underwriting commitments, which may be undertaken under the Scheme.

These underwriting norms/parameters (as expressed/linked to the net asset/ net asset value/capital) shall in the ordinary course apply as at the date of the most recent transaction of commitment to underwrite, and changes do not have to be effected merely because, owing to appreciation or depreciation in value or by reason of the receipt of any rights, bonuses or benefits in the nature of capital or of any scheme of arrangement or for amalgamation, reconstruction or exchange, or at any repayment or redemption or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unitholders. As such all underwriting and sub-underwriting activities of the Fund will be undertaken in accordance with SEBI (Underwriters) Rules and Regulations, 1993, and the norms as laid down by SEBI Circular dated June 30, 1994, and as amended from time to time.

#### **SECURITIES LENDING**

The Fund(as permitted) may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the SEBI / Stock Exchange.

#### **BORROWING BY THE MUTUAL FUND**

In terms of Regulations as presently prevailing, a Scheme shall have the power to borrow up to 20% of its net assets outstanding as on the date of borrowing for a period of up to six months or as may be permitted by the prevailing regulations. This borrowing shall be used only for the purpose of paying repurchase proceeds or payment of interest or dividend to the unitholders. The Mutual Fund may tie up with various banks/institutions for the above mentioned facility for which it may have to give a guarantee or the delivery of the shares/other securities held by it as collateral. The limit of 20% may be revised by the Fund and to the extent the Regulations hereafter permit. Borrowing by the Fund House on account of the Scheme will result in the impact of interest on the NAV of the Scheme.

The borrowing limitations/parameters (as expressed/limited to the net assets/ NAV/Capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to borrow and changes do not have to be effected merely because, owing to appreciation or depreciation in value or at any repayment or repurchase or other reason beyond the control of the Fund, any such limit would thereby be breached. If the limit is exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unitholders.

#### **INTERSCHEME TRANSFER OF INVESTMENTS:**

Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if -

- (a) such transfers are done at the prevailing market price for quoted instruments on spot basis.

*Explanation : "spot basis" shall have same meaning as specified by stock exchange for spot transactions.*

- (b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.



## SERVICES TO UNITHOLDERS

### Investor Services

It is the endeavour of the Fund to provide consistently high quality service to its unitholders. This would encompass all interactions by the unitholders with the Fund. The Fund will strive to upgrade the quality of service through implementation of appropriate technology and through ensuring quality consciousness amongst its service personnel and agencies associated with it. The Fund will endeavour to provide a high degree of convenience for the unitholders' dealing with it. The Fund will strive to constantly increase this level of convenience.

### Facilitating Enquiries and Transactions

a) It will be the endeavour of the Fund to extensively use technological tools in rendering unitholder service. The Fund will endeavour to send the Account Statements /transaction confirmation (on account of financial and / or non-financial transactions) e.g., allotment of units in lieu of distribution of periodic dividend, besides periodic information etc. by way of e-mail /SMS, which is speedier and economical. Other financial transactions (subscription of units) can also be conveyed to the unitholders by way of e-mail / SMS, wherever e-mail id and mobile numbers are provided subject to such safe guards the Fund may necessary.

#### *b) Investor Service Centres in select cities:*

The AMC shall provide unitholder service through its centers. Unitholders' enquiries and transactions during business hours will be entertained at the AMC's centres at the addresses listed at the end of the Scheme Information Document. Unitholders/investors can also write/e-mail/contact them at the AMC's corporate office at Mumbai. In addition, unitholders may also contact the AMC at its corporate office for any additional service. The AMC will, in course of time, be setting up its own service centres at other major locations to handle unitholder enquiries and transactions, besides providing a high degree of convenience to the unitholders.

#### *c) Meeting in Person:*

An Investor Relations personnel of the AMC will be available every business day between normal official hours of the AMC for personal meeting with any unitholder at such locations where AMC has set up an Investor Service Centre. The purpose of this facility is to attend to any query related to investment needs of a unitholder, resolve any unitholder service related queries through the Registrar and to provide such other services that the unitholder desires.

#### *d) Call Center and email queries:*

AMC has also set up a centralized Call Center, where investors can call for information regarding their investments, transaction processing status and dispatch related queries. There is also a common email box, wherein investors can write to us.

#### *e) Service Standards*

The Fund will follow the below mentioned statutory time schedules on an ongoing basis provided the unitholder furnishes the Mutual Fund with all the required correct and complete supporting legal /other documents.

SERVICE	TIME SCHEDULE
Repurchase Cheque Mailing	Within 10 Business Days
Purchase intimation	Within 5 Business Days electronically, else once a month through CAS / eCAS
Updated Account Statement on a/c of allotment of units in lieu of dividend	Within 5 Business Days electronically, else once a month through CAS / eCAS

Address Change	Within 10 Business Days
Ownership Transmission	Within 10 Business Days
Dispatch of Dividend Proceeds	Within 30 Days

The Fund shall endeavour to meet the service standard well within the above time schedule.

The above mentioned time schedule does not include postal transit time.

### **SIGNATURE VERIFICATION/INDEMNITY**

Certain transactions may require that the unitholder's signature be verified by a bank manager, or a notary public or a magistrate or any other party acceptable to the Fund for the following:-

- To change ownership of a folio/account in case of transmission.
- To add telephone transaction services or other privileges that would be added from time to time.
- To change bank account information designated under an existing plan.
- To have redemption cheque mailed to an address other than the addresses on the folio/account or to the address on the folio/account if it has been changed within the preceding month.
- To issue duplicate unit certificate.
- To exercise redemption request or introduce nomination.

The above is an indication of transactions that may require signature verification that the AMC may insist upon.

### **REGISTER OF UNITHOLDERS**

A register of unitholders shall be maintained electronically or in any other mode at the office of the Registrar and Transfer Agent and also at such other places as the AMC may decide and such register shall be conclusive evidence of ownership. The register may be closed for such time and for such period as the AMC may determine. In the event of closure of the register for a period or periods, appropriate notice shall be given by way of publication in newspaper(s) or other media. Requests for fresh/ongoing sales, repurchase, switching will not be accepted during the period the register is closed and no NAV would be determined / declared.

### **ASSOCIATE TRANSACTIONS:**

#### **I. UNDERWRITING OBLIGATION UNDERTAKEN / SUBSCRIPTION BY PRINCIPAL MUTUAL FUND IN ISSUES OF ASSOCIATES**

During last three fiscal years i.e. 2014-2015, 2015-2016 and 2016-2017, the Fund has not undertaken any underwriting obligations with respect to issues of associate companies and have not subscribed to the issues lead managed by associate companies.

#### **II. DETAILS OF TRANSACTIONS WITH ASSOCIATES IN LAST THREE FISCAL YEARS:**

##### **A. Transactions with Associates acting as Brokers :**

There has been no dealing with Associate Brokers

## B. Transactions with Associates for Distribution of Mutual Fund Units

The AMC enters into arrangements with various distributors for distribution of mutual fund units. In this connection, the commission paid for amount mobilized by Distributors (for last three fiscal years) who are / were associates of AMC is detailed below:

Name of associate /related parties/ group companies of Sponsor/ AMC	Nature of Association/ Nature of relation	Period covered	Business given (Rs. Cr. & % of total business received by the fund)		Commission paid (Rs & % of total commission paid by the fund)	
			Amt. (Rs In Cr)	% of total business	Amt. (Rs)	% of total commission paid
PNB Gilts Limited	Associate	01/04/2016 to 31/03/2017	-	0.00%	-	0.00%
Principal Retirement Advisors Private Limited	Associate		21.11	0.07%	1,455,144	0.82%
Punjab National Bank	Shareholder		3,956.29	12.88%	28,366,330	15.23%
Principal Consulting India Pvt Ltd	Associate		-	0.00%	-	0.00%
PNB Gilts Limited	Associate	1/4/2015 to 31/03/2016	-	0.00%	-	0.00%
Principal Retirement Advisors Private Limited	Associate		32.63	0.04%	1,296,160	0.81%
Punjab National Bank	Shareholder		3,344.59	4.21%	30,215,908	18.79%
Principal Consulting India Pvt Ltd	Associate		-	0.00%	-	0.00%
PNB Gilts Limited	Associate	1/4/2014 to 31/03/2015	-	0.00	-	0.00
Principal Retirement Advisors Private Limited	Associate		25.58	0.04	846.477	0.48
Punjab National Bank	Shareholder		2596.69	4.18	26,541.952	14.63
Principal Consulting India Pvt Ltd	Associate		-	0.00	35.766	0.12

- Commission paid to associates has been disclosed on payment basis and business given indicates Gross Mobilization (net of rejections, if any) during the period for which the commission paid has been disclosed.
- % of total business reflects business given by the Associate, as a percentage of the total business done in the schemes in which the Associate has given business during the period mentioned.
- % of total commission paid reflects brokerage paid to Associate, as a percentage of the total brokerage paid in the schemes in which the Associate has mobilization for the period mentioned.

### C. Transactions with Associates for Banking and other Services

Particulars	Name of the Associate	2014-2015 (Rs. In Lakhs)	2015-2016 (Rs. In Lakhs)	2016-2017 (Rs. In Lakhs)
Bank charges	Punjab National Bank	1.82	1.83	1.88
Interest Paid on Borrowings	Punjab National Bank	--	14.17	0.10

### III. POLICY FOR INVESTMENT IN ASSOCIATES

Such investments if any made, will be done on a pure commercial consideration after evaluating the same on the merits and on an arms' length basis for the benefit and interest of PMF and in accordance with the investment objective of the respective Scheme(s) and in compliance with the SEBI (Mutual Funds) Regulations, 1996, and any other regulations in this regard. The Scheme shall not make investment in:

- any unlisted security of an Associate or Group Company of the Sponsor;
- any security issued by way of private placement by an Associate or Group Company of the Sponsor; and
- the listed securities of Group Companies of the Sponsor which is in excess of 25% of the net assets of the Scheme.

#### Investment in Associate Companies as on 31<sup>st</sup> March, 2015

AUM in Lacs as on March 31, 2015: Rs. 5,02,723.77/-

in Rs. Lacs

Scheme	Atul Ltd	% to AUM as on 31/03/2015	Larsen & Toubro Limited	% to AUM as on 31/03/2015	Punjab National Bank	% to AUM as on 31/03/2015	Total	% to AUM* As on 31/03/2015
GROWTH	-	-	480.47	0.10%	-	-	480.47	0.10%
INDEX	-	-	69.85	0.01%	5.34	0.00%	75.19	0.01%
LCAP	-	-	1160.42	0.23%	-	-	1160.42	0.23%
PTSF	-	-	1362.17	0.27%	-	-	1362.17	0.27%
SMART	-	-	132.19	0.03%	-	-	132.19	0.03%
TAX96	-	-	351.63	0.07%	-	-	351.63	0.07%
PBF	-	-	20.65	0.00%	-	-	20.65	0.00%
PEBF	427.90	0.09%	-	-	-	-	427.90	0.09%
<b>TOTAL</b>	<b>427.90</b>	<b>0.09%</b>	<b>3,577.38</b>	<b>0.71%</b>	<b>5.34</b>	<b>0.00%</b>	<b>4,010.62</b>	<b>0.80%</b>

\*AUM of all the Schemes of Principal Mutual Fund as on March 31, 2015

#### Investment in Associate Companies as on 31<sup>st</sup> March, 2016

AUM in Lacs as on March 31, 2016:Rs.4,09,122.99/-

in Rs. Lacs

Scheme	Atul Ltd	% to AUM* as on 31/03/2016	Larsen & Toubro Limited	% to AUM* as on 31/03/2016	Punjab National Bank	% to AUM* as on 31/03/2016	Total	% to AUM* as on 31/03/2016
GROWTH	-	-	339.95	0.08%	-	-	339.95	0.08%
INDEX	-	-	86.82	0.02%	-	-	86.82	0.02%
LCAP	-	-	530.71	0.13%	-	-	530.71	0.13%
PTSF	-	-	548.67	0.13%	-	-	548.67	0.13%
SMART	-	-	141.05	0.03%	-	-	141.05	0.03%
TAX96	-	-	248.79	0.06%	-	-	248.79	0.06%
PBF	-	-	20.37	0.00%	-	-	20.37	0.00%
PEBF	577.02	0.14%	-	-	-	-	577.02	0.14%
<b>TOTAL</b>	<b>577.02</b>	<b>0.14%</b>	<b>1,916.36</b>	<b>0.47%</b>	<b>-</b>	<b>-</b>	<b>2,493.38</b>	<b>0.61%</b>

\*AUM of all the Schemes of Principal Mutual Fund as on March 31, 2016

#### Investment in Associate Companies as on 31st March, 2017

AUM in Lacs as on March 31, 2017: Rs. 4,98,588.53/-

in Rs. Lacs

Scheme	Atul Ltd	% to AUM as on 31/03/2017	Larsen & Toubro Limited	% to AUM as on 31/03/2017	Punjab National Bank	% to AUM as on 31/03/2017	Total	% to AUM* As on 31/03/2017
GROWTH	-	-	1078.24	0.22%	-	-	1078.24	0.22%
MIDCAP	-	-	-	-	5.43	0.00%	5.43	0.00%
INDEX	-	-	53.92	0.01%	-	-	53.92	0.01%
LCAP	-	-	1135.12	0.23%	-	-	1135.12	0.23%
PDYF	-	-	141.74	0.03%	-	-	141.74	0.03%
PTSF	-	-	1212.39	0.24%	-	-	1212.39	0.24%
SMART	-	-	264.47	0.05%	-	-	264.47	0.05%
TAX96	-	-	753.98	0.15%	-	-	753.98	0.15%
PBF	-	-	134.69	0.03%	-	-	134.69	0.03%
PEBF	807.68	0.16%	-	-	-	-	807.68	0.16%
<b>TOTAL</b>	<b>807.68</b>	<b>0.16%</b>	<b>4,774.55</b>	<b>0.96%</b>	<b>5.43</b>	<b>0.00%</b>	<b>5,587.66</b>	<b>1.12%</b>

\*AUM of all the Schemes of Principal Mutual Fund as on March 31, 2017

SCHEME CODE(S)	SCHEME NAME(S)
GROWTH	Principal Growth Fund
INDEX	Principal Index Fund - Nifty
LCAP	Principal Large Cap Fund
MIDCAP	Principal Index Fund - Midcap
PBF	Principal Balanced Fund
PDYF	Principal Dividend Yield Fund
PEBF	Principal Emerging Bluechip Fund
PTSF	Principal Personal Tax Saver Fund
SMART	Principal Smart Equity Fund
TAX96	Principal Tax Savings Fund

#### IV. INVESTMENT OF MORE THAN 25% OF FUNDS NET ASSETS IN ASSOCIATES/GROUP COMPANIES

None of the Schemes of the Fund has invested more than 25% of its Net Assets in the Associates/ Group Companies.

#### V. NAMES OF ASSOCIATES WITH WHICH FUND PROPOSES TO HAVE DEALINGS

Under the normal circumstances, the Fund, may have dealing with and/or do transactions with or utilize the services of associates of sponsors/AMC. Following is the list of associates as on June 07, 2017:

Sr. No.	Name of the Associate(s)	Sr. No.	Name of the Associate(s)
1	Principal Consulting (India) Private Limited	19	Lodha Developers Private Limited
2	Principal Retirement Advisors Private Limited	20	Larsen & Toubro Infotech Ltd.
3	Principal Financial Group (Mauritius) Limited	21	Principal Global Services Private Limited
4	Principal Trustee Company Private Limited	22	Indo Aden Salt Manufacturing and Trading Company Private Limited
5	Punjab National Bank	23	Blue Rose Properties Private Limited
6	PNB Gilts Limited	24	Gagrats – Mumbai
7	PNB Housing Finance Limited	25	Gagrats & Co. – Delhi
8	PNB Investment Services Limited	26	Allright Business Services Private Limited
9	Larsen & Toubro Limited	27	Allright Consultancy Private Limited
10	ASREC (India) Limited	28	Dialogue Trading and Consultancy Private Limited
11	Ram Ratna Wires Limited	29	KT Cimpex Pvt. Ltd.
12	Itz Cash Card Limited	30	Madhushree Securities Services LLP
13	Mukund M. Chitale & Co.	31	Atul Ltd.
14	ONGC Petro Additions Limited	32	Maharashtra Shetkari Sugar Ltd.
15	Essel Propack Limited	33	CIMB - Principal Islamic Asset Management Sdn Bhd
16	Principal International (Asia) Limited	34	PT CIMB - Principal Asset Management
17	CIMB - Principal Asset Management Company Berhad	35	Finansa Asset Management Company
18	CIMB - Principal Asset Management Company Limited (Thailand)		

The details of payment made to Associates (if any) is also disclosed in the Unaudited Half Yearly Financial results and the Annual Accounts of the Scheme(s).

## Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051 during business hours on any day (excluding Saturdays, Sundays and public holidays):

- Memorandum and Articles of Association of the AMC
- Investment Management Agreement
- Trust Deed and amendments thereto, if any
- Mutual Fund Registration Certificate
- Agreement between the Mutual Fund and the Custodian
- Agreement with Registrar and Share Transfer Agents
- Consent of Auditors to act in the said capacity
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- Indian Trusts Act, 1882.

## Investor Grievances Redressal Mechanism

Investors may contact the ISCs or the office of the AMC for any queries / clarifications. The Corporate Office of the AMC will follow up with the respective ISC to ensure timely redressal and prompt investor services. Mr. Hariharan Iyer, Head - Operations and Customer Services can be contacted at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra(East), Mumbai – 400 051 email: [customer@principalindia.com](mailto:customer@principalindia.com). Toll Free: 1800 425 5600 Fax: +91 22 67720512.

## INVESTOR COMPLAINTS AND REDRESSAL

The basic objective of the Fund is to set high standards with regard to unitholder servicing as stated in the earlier clauses. To achieve this end, the Fund has attempted to handle unitholder grievances efficiently and resolve any problems relating to its unitholders. Unitholder grievances are normally received at AMC's corporate office /Centres.

The history of complaints/queries is as follows:

Particulars	Principal Tax Savings Fund	Principal Index Fund - Nifty	Principal Index Fund - Midcap	Principal Growth Fund	Principal Balanced Fund
<b>DIRECT</b>					
<b>01/04/2014 to 31/03/2015</b>					
Received	261	3	10	228	8
Redressed	262	3	10	228	8
Pending as on 31/03/2015	0	0	0	2	0
<b>01/04/2015 to 31/03/2016</b>					
Received	80	2	2	92	10
Redressed	80	2	2	94	10
Pending as on 31/03/2016	0	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>					
Received	55	0	0	60	5

Particulars	Principal Tax Savings Fund	Principal Index Fund - Nifty	Principal Index Fund - Midcap	Principal Growth Fund	Principal Balanced Fund
Redressed	55	0	0	60	5
Pending as on 31/03/2017	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>					
Received	6	0	0	7	2
Redressed	6	0	0	7	2
Pending as on 31/05/2017	0	0	0	0	0
<b>FORWARDED BY SEBI</b>					
<b>01/04/2014 to 31/03/2015</b>					
Received	0	0	0	1	1
Redressed	0	0	0	1	1
Pending as on 31/03/2015	0	0	0	0	0
<b>01/04/2015 to 31/03/2016</b>					
Received	0	0	0	1	0
Redressed	0	0	0	1	0
Pending as on 31/03/2016	0	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>					
Received	0	0	0	0	0
Redressed	0	0	0	0	0
Pending as on 31/03/2017	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>					
Received	0	0	0	0	0
Redressed	0	0	0	0	0
Pending as on 31/05/2017	0	0	0	0	0



Particulars	Principal Dynamic Bond Fund	Principal Short Term Income Fund	Principal Cash Management Fund	Principal Government Securities Fund	Principal Equity Savings Fund	Principal Debt Savings Fund
<b>DIRECT</b>						
<b>01/04/2014 to 31/03/2015</b>						
Received	4	12	35	0	7	8
Redressed	4	12	35	0	7	8
Pending as on 31/03/2015	0	0	0	0	0	0
<b>01/04/2015 to 31/03/2016</b>						
Received	4	9	11	0	6	2
Redressed	4	9	11	0	6	2
Pending as on 31/03/2016	0	0	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>						
Received	2	6	7	0	1	3
Redressed	2	6	7	0	1	3
Pending as on 31/03/2017	0	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>						
Received	0	0	3	0	0	0
Redressed	0	0	3	0	0	0
Pending as on 31/05/2017	0	0	0	0	0	0
<b>FORWARDED BY SEBI</b>						
<b>01/04/2014 to 31/03/2015</b>						
Received	0	0	1	0	0	0
Redressed	0	0	1	0	0	0
Pending as on 31/03/2015	0	0	0	0	0	0
<b>01/04/2015 to 31/03/2016</b>						
Received	0	0	0	0	0	0
Redressed	0	0	0	0	0	0
Pending as on 31/03/2016	0	0	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>						

Particulars	Principal Dynamic Bond Fund	Principal Short Term Income Fund	Principal Cash Management Fund	Principal Government Securities Fund	Principal Equity Savings Fund	Principal Debt Savings Fund
Received	0	0	0	0	0	0
Redressed	0	0	0	0	0	0
Pending as on 31/03/2017	0	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>						
Received	0	0	0	0	0	0
Redressed	0	0	0	0	0	0
Pending as on 31/05/2017	0	0	0	0	0	0

Particulars	Principal Global Opportunities Fund	Principal Personal Tax Saver Fund	Principal Credit Opportunities Fund	Principal Low Duration Fund	Principal Dividend Yield Fund	Principal Large Cap Fund
<b>DIRECT</b>						
<b>01/04/2014 to 31/03/2015</b>						
Received	7	422	4	69	73	126
Redressed	7	424	4	69	72	126
Pending as on 31/03/2015	0	1	0	0	1	0
<b>01/04/2015 to 31/03/2016</b>						
Received	3	153	1	25	26	43
Redressed	3	153	1	25	27	43
Pending as on 31/03/2016	0	1	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>						
Received	2	86	4	9	21	30
Redressed	2	87	4	9	21	30
Pending as on 31/03/2017	0	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>						

Particulars	Principal Global Opportunities Fund	Principal Personal Tax Saver Fund	Principal Credit Opportunities Fund	Principal Low Duration Fund	Principal Dividend Yield Fund	Principal Large Cap Fund
Received	0	14	0	2	0	1
Redressed	0	14	0	2	0	1
Pending as on 31/05/2017	0	0	0	0	0	0
<b>FORWARDED BY SEBI</b>						
<b>01/04/2014 to 31/03/2015</b>						
Received	1	3	0	0	0	0
Redressed	1	2	0	0	0	0
Pending as on 31/03/2015	0	1	0	0	0	0
<b>01/04/2015 to 31/03/2016</b>						
Received	0	1	0	0	0	0
Redressed	0	2	0	0	0	0
Pending as on 31/03/2016	0	0	0	0	0	0
<b>01/04/2016 to 31/03/2017</b>						
Received	0	0	0	0	1	0
Redressed	0	0	0	0	1	0
Pending as on 31/03/2017	0	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>						
Received	0	0	0	0	0	0
Redressed	0	0	0	0	0	0
Pending as on 31/05/2017	0	0	0	0	0	0

Particulars	Principal Emerging Bluechip Fund	Principal Money Manager Fund	Principal Smart Equity Fund	Principal Asset Allocation Fund of Funds - Aggressive Plan	Principal Arbitrage Fund
<b>DIRECT</b>					

Particulars	Principal Emerging Bluechip Fund	Principal Money Manager Fund	Principal Smart Equity Fund	Principal Asset Allocation Fund of Funds - Aggressive Plan	Principal Arbitrage Fund
<b>01/04/2014 to 31/03/2015</b>					
Received	190	42	19	-	-
Redressed	189	42	19	-	-
Pending as on 31/03/2015	1	0	0	-	-
<b>01/04/2015 to 31/03/2016</b>					
Received	148	15	19	3	-
Redressed	149	15	19	3	-
Pending as on 31/03/2016	0	0	0	0	-
<b>01/04/2016 to 31/03/2017</b>					
Received	113	6	15	1	2
Redressed	113	6	15	1	2
Pending as on 31/03/2017	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>					
Received	29	0	0	0	0
Redressed	28	0	0	0	0
Pending as on 31/05/2017	1	0	0	0	0
<b>FORWARDED BY SEBI</b>					
<b>01/04/2014 to 31/03/2015</b>					
Received	0	1	0	0	-
Redressed	0	1	0	0	-
Pending as on 31/03/2015	0	0	0	0	-
<b>01/04/2015 to 31/03/2016</b>					
Received	0	0	0	0	-
Redressed	0	0	0	0	-
Pending as on 31/03/2016	0	0	0	0	-

Particulars	Principal Emerging Bluechip Fund	Principal Money Manager Fund	Principal Smart Equity Fund	Principal Asset Allocation Fund of Funds - Aggressive Plan	Principal Arbitrage Fund
<b>01/04/2016 to 31/03/2017</b>					
Received	0	0	0	0	0
Redressed	0	0	0	0	0
Pending as on 31/03/2017	0	0	0	0	0
<b>01/04/2017 to 31/05/2017</b>					
Received	0	0	0	0	0
Redressed	0	0	0	0	0
Pending as on 31/05/2017	0	0	0	0	0

**JURISDICTION**

Any dispute arising under each Scheme of Principal Mutual Fund shall be subject to the exclusive jurisdiction of the Courts in India.

**Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.**

## Offices of AMC Identified as Official Point of Acceptance

**Mumbai:** Exchange Plaza, 'B' wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

**New Delhi:** A-121, 12<sup>th</sup> Floor, Himalaya House, 23 K.G. Marg, New Delhi – 110 001.

## Points of Service ("POS") of MF UTILITIES INDIA PRIVATE LIMITED ("MFUI") as Official Point of Acceptance:

The Online Transaction Portal of MF Utility is [www.mfuonline.com](http://www.mfuonline.com) and the list of POS of MFUI is published on the website of MFUI at [www.mfuindia.com](http://www.mfuindia.com), as updated from time to time.

## Centres of Karvy Computershare Private Limited (R&T to Principal Mutual Fund) which have been identified as Official Point of Acceptance:

**Agra:** 1st Floor, Deepak Wasan Plaza, Behind Holiday Inn, Opp. Megdoot Furnitures, Sanjay Place, Agra-282 002 • **Ahmedabad:** 201/202 Shail, Opp. Madhusudan House, Navrangpura, Ahmedabad-380 006 • **Ajmer:** 302, 3rd Floor, Ajmer Auto Building, Opp. City Power House, Jaipur Road, Ajmer - 305 001 • **Aligarh:** 1st Floor, Kumar Plaza, Aligarh-202 001 • **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S.P. Marg, Civil Lines, Allahabad-211 001 • **Amritsar:** 72-A, Taylor's Road, Opp. Aga Heritage Club, Amritsar-143 001 • **Anand:** B-42 Vaibhav Commercial Center, Nr TVS Down Town Show Room, Grid Char Rasta, Anand-380 001 • **Asansol:** 114/71, G.T. Road, Near Sony Centre, Bhanga Pachil, Asansol-713 303 • **Aurangabad:** Ramkunj Niwas, Railway Station Road, Near Osmanpura Circle, Aurangabad-431 005 • **Bangalore:** 59, Skanda Puttanna Road, Basavanagudi, Bangalore-560 004 • **Bankura:** Ambika Market Complex, Gr. Floor, Nutanganj, Post & Dist Bankura, Bankura-722 101 • **Bareilly:** 1st Floor, 165, Civil Lines, Opp. Hotel Bareilly Palace, Near Railway Station, Bareilly-243 001 • **Belgaum:** CTS No. 3939/ A2 A1, Above Raymonds Show Room, Beside Harsha Appliances, Club Road, Belgaum-590 001 • **Bharuch:** Shop No. 147-148, Aditya Complex, Near Kasak Circle, Bharuch-392 001 • **Bhatinda:** #2047-A 2nd Floor, The Mall Road, Above Max New York Life Insurance, New Delhi-151 001 • **Bhavnagar:** Krushna Darshan Complex, Parimal Chowk, Office No. 306-307, 3rd Floor, Above Jed Blue Show Room, Bhavnagar 364 002 • **Bhilai:** Shop No. 1, First Floor, Plot No.1, Commercial Complex, Nehru Nagar (East), Bhilai-490 020 • **Bhopal:** Kay Kay Business Centre, 133, Zone I, M.P. Nagar, Above City Bank, Bhopal-462 011 • **Bhubaneswar:** A/181, Back Side of Shivam Honda Show Room, Saheed Nagar, Bhubaneswar-751 007 • **Bikaner:** 70-71, 2nd Floor, Dr. Chahar Building, Panchsati Circle, Sadul Ganj, Bikaner-334 001 • **Bokaro:** B-1, 1st Floor, City Centre, Sector-4, Near Sona Chandi Jewellers, Bokaro-827 004 • **Burdwan:** 63 G.T. Road, Halder Complex 1st Floor, Burdwan-713 101 • **Calicut:** 2nd Floor, Soubhagya Shopping Complex, Arayidathpalam, Mavoor Road, Calicut-673 004 • **Chandigarh:** SCO 2423-2424, Sector 22-C, Chandigarh-160 022 • **Chennai:** F-11, Akshaya Plaza, 1st Floor, 108, Adhithanar Salai, Egmore, Opp. Chief Metropolitan Court, Chennai-600 002 • **Cochin:** Ali Arcade, 1st Floor, Kizhavana Road, Panampilly Nagar, Near Atlantis Junction, Ernakulam-682 036 • **Coimbatore:** 3rd Floor, Jaya Enclave, 1056/1057 Avinashi Road, Coimbatore-641 018 • **Cuttack:** P.O. - Buxi Bazar, Cuttack, Opp. Dargha Bazar, Dargha Bazar, Cuttack-753 001 • **Dehradun:** Kaulagarh Road, Near Sirmaur Margabove, Reliance Webworld, Dehradun-248 001 • **Dhanbad:** 208 New Market, 2nd Floor, Bank More, Dhanbad-826 001 • **Durgapur:** Mwav-16 Bengal Ambuja, 2nd Floor, City Centre, 16 Dt Burdwan, Durgapur-713 216 • **Erode:** No. 4, Veerappan Traders Complex, KMY Salai, Sathy Road, Opp. Erode Bus Stand, Erode-638 003 • **Faridabad:** A-2B, 1st Floor, Nehru Groundnit, Faridabad-121 001 • **Ghaziabad:** 1st Floor, C-7, Lohia Nagar, Ghaziabad-201 001 • **Goa:** Flat No. 1-A, H. No. 13/70, Timotio Bldg. Heliodoro Salgado Road, Next to Navhind Bhavan (Market Area), Panaji, Goa - 403 001 • **Gorakhpur:** Above V.I.P. Houseadjacent, A.D. Girls College, Bank Road, Gorakpur-273 001 • **Gurgaon:** Shop No.18, Gr. Floor, Sector-14, Opp. AKD Tower, Near Huda Office, Gurgaon-122 001 • **Guwahati:** 1st Floor, Bajrangbali Building, Near Bora Service Station, G.S. Road, Guwahati - 781 007 • **Gwalior:** 2nd Floor, Rajeev Plaza, Jayendra Ganj, Lashkar, Gwalior. M.P.-474 009 • **Hubli:** CTC No. 483 / A1-A2, Gr. Floor, Shri Ram Plaza, Behind Kotak Mahindra Bank, Club Road, Hubli - 580 029. • **Hyderabad:** KARVY HOUSE, No.46, 8-2-609/K, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. • KARVY SELENIUM, Plot No. 31 & 32, Tower B, Survey No. 115 /22, 115/24 &115/25, Financial District, Gachibowli, Nanakramguda, Serlingampally Mandal, Ranga Reddy District, Hyderabad - 500 032 • **Indore:** 2nd Floor, 203-205, Balaji Corporates, Above ICICI Bank, 19/1 New Palasia, Indore-452 001 • **Jabalpur:** Grover Chamber, 43 Naya Bazar Malviya Chowk, Opp. Shyam Market, Jabalpur-482 002 • **Jaipur:** S-16/A 3rd Floor, Land Mark Building, Opp. Jai Club, Mahaver Marg C-Scheme, Jaipur-302 001 • **Jalandhar:** 1st Floor, Shanti Towers, SCO No. 37, PUDA Complex, Opp. Tehsil Complex, Jalandhar-144 001 • **Jalgaon:** 269 Jae Vishwa, 1st Floor, Above United Bank of

India, Baliram Peth, Near Kishor Agencies, Jalgaon - 425 001 • **Jammu:** Gupta's Tower, 2nd Floor, CB-12, Rail Head Complex, Jammu-180 012 • **Jamnagar:** 136-138, Madhav Palaza, Opp. SBI Bank, Near Lal Bungalow, Jamnagar-361 001 • **Jamshedpur:** 2nd Floor, R.R. Square, SB Shop Area, Near Reliance Foot Print & Hotel, BS Park Plaza, Main Road, Bistupur, Jamshedpur-831 001 • **Jodhpur:** 203, Modi Arcade, Chopasni Road, Jodhpur-342 001 • **Junagadh:** 124-125 Punit Shopping Center, M.G. Road, Ranavav Chowk, Junagadh-362 001 • **Kanpur:** 15/46, B, Gr. Floor, Opp. Muir Mills, Civil Lines, Kanpur-208 001 • **Karnal:** 18/369, Char Chaman, Kunjpura Road, Behind Miglani Hospital, Karnal-132 001 • **Kolhapur:** 605/1/4, E Ward, Shahupuri 2nd Lane, Laxmi Niwas, Near Sultane Chambers, Kolhapur-416 001 • **Kolkata:** Apeejay House ( Beside Park Hotel), 15 Park Street, C Block, 3rd Floor, Kolkata-700 016 • **Kota:** 29, 1st Floor, Near Lala Lajpat Rai Circle, Shopping Centre, Kota-324 007 • **Kottayam:** 1st Floor Csiascension Square, Railway Station Road, Collectorate P. O., Kottayam-686 002 • **Lucknow:** 1st Floor, A. A. Complex, Thaper House, 5 Park Road, Hazratganj, Lucknow - 226 001 • **Ludhiana:** SCO-136, 1st Floor, Above Airtel Showroom, Feroze Gandhi Market, Ludhiana-141 001 • **Madurai:** Rakesh Towers, 30-C, 1st Floor, Bye Pass Road, Opp. Nagappa Motors, Madurai-625 010 • **Malda:** Sahis Tuli, Under Ward No.6, No.1 Govt Colony, English Bazar Municipality, Malda-732 101 • **Mangalore:** Mahendra Arcade, Opp. Court Road, Karangal Padi, Mangalore-575 003 • **Meerut:** 1st Floor, Medi Centre, Opp. ICICI Bank, Hapur Road, Near Bachha Park, Meerut-250 002 • **Mehsana:** UI-47, Apollo Enclave, Opp. Simandhar Temple, Modhera Cross Road, Mehsana-384 002 • **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Chowk Tari Khana, Moradabad-244 001 • **Mumbai:** 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind BSE Bldg., Fort, Mumbai-400 001 • **Mumbai - Borivali:** Gr. Floor, Himanshu Bldg., Sodawala Lane, Lina Chandawarkar Road, Borivali, Mumbai-400 091 • **Mumbai - Thane:** 101, Yashwant Building, Ram Ganesh, Godkari Path, Ram Maruti Road, Naupada, Thane-400 602 • **Mumbai - Vashi:** Shop No. 43-A, Ground Floor, Vashi Plaza Sector-17, Near Apna Bazar, Vashi-400 705 • **Muzaffarpur:** 1st Floor, Shukla Complex, Near ICICI Bank, Civil Court Branch, Company Baugh, Muzaffarpur-842 001 • **Mysore:** L-350, Silver Tower, Ashoka Road, Opp. Clock Tower, Mysore-570 001 • **Nadiad:** 104/105, Near Paras Cinema, City Point Nadiad, Nadiad-387 001 • **Nagpur:** Plot No. 2/1, House No 102/1, Mangaldeep Appartment, Mata Mandir Road, Opp. Khandelwal Jewelers, Dharampeth, Nagpur-440 010 • **Nasik:** S-12,Suyojit Sankul, Sharanpur Road, Near Rajiv Gandhi Bhavan, Nasik-422 002 • **Navsari:** 1/1 Chinmay Aracade, Opp. Sattapir Road, Tower Road, Navsari-396 445 • **New Delhi:** 305, New Delhi House, 27, Barakhamba Road, New Delhi -110 001 • **Noida:** 405, 4th Floor, Vishal Chamber, Plot No. 1, Sector-18, Noida - 201 301 • **Panipat:** 1st Floor, Java Complex, Above Vijaya Bank, G.T. Road, Panipat-132103 • **Patiala:** SCO-27 D, Chotti Baradari, Near Car Bazaar, Patiala-147 001 • **Patna:** 3-A, 3rd Floor, Anand Tower, Exhibition Road, Opp. ICICI Bank, Patna-800 001 • **Pondicherry:** No. 7, Thiayagaraja Street, Pondicherry-605 001 • **Pune:** Mozaic Bldg, CTS No.1216/1, Final Plot No. 576/1 TP, Scheme No.1, F. C. Road, Bhamburda, Shivaji Nagar, Pune - 411 004 • **Raipur:** Shop No. 31 Third Floor, Millenium Plaza Above Indian House, Behind Indian Coffee House, Raipur 492 001 • **Rajkot:** 302, Metro Plaza, Near Moti Tanki Chowky, Rajkot-360 001 • **Ranchi:** Room No. 307, 3rd Floor, Commerce Tower, Beside Mahabir Tower, Ranchi-834 001 • **Rourkela:** 1st Floor, Sandhu Complex, Kachery Road, Uditnagar, Rourekla-769 012 • **Salem:** No. 40, 2nd Floor, Brindavan Road, Fairlands, Near Perumal Koil, Salem-636 016 • **Shillong:** Annex Mani Bhawan, Lower Thana Road, Near R K M Lp School, Shillong-793 001 • **Shimla:** Triveni Building, By Pas Chowkhhallini, Shimla-171 002 • **Siliguri:** Nanak Complex, Sevoke Road, Siliguri-734 001 • **Surat:** G-5, Empire State Buliding, Near Udhna Darwaja, Ring Road, Surat-395 002 • **Tirunelveli:** 55/18, Jeney Building, S.N. Road, Near Aravind Eye Hospital, Tirunelveli-627 001 • **Trichur:** 2nd Floor, Brothers Complex, Naikkanal Junction, Shornur Road Near Dhanalakshmi Bank H O, Thrissur-680 001 • **Trichy:** 60, Sri Krishna Arcade, Thennur High Road, Trichy-620 017 • **Trivandrum:** 2nd Floor, Akshaya Tower, Sasthamangalam, Trivandrum-695 010 • **Udaipur:** 201-202, Madhav Chambers, Opp. GPO, Chetak Circle, Udaipur-313 001 • **Vadodara:** 203, Corner point, Jetalpur Road, Vadodara - 390 007 • **Valsad:** Shop No. 2 , Phiroza Corner, Opp. Next Show Room, Tithal Road, Valsad-396 001 • **Vapi:** Shop No. 12, Ground Floor, Sheetal Appatment, Near K.P. Tower, Vapi-396 195 • **Varanasi:** D-64/132, 1st Floor, Anant Complex, Sagra, Varanashi-221 010 • **Vellore:** No. 1, M. N. R. Arcade, Officers Line, Krishna Nagar, Vellore-632 001 • **Vijayawada:** 39-10-7, Opp. Municipal Water Tank, Labbipet, Vijayawada-520 010 • **Visakhapatnam:** Door No: 48-8-7, Dwaraka Dimond, Gr. Floor, Srinagar, Visakhapatnam - 530 016 • **Warangal:** 5-6-95, 1st Floor, Opp. B.Ed Collage, Lashkar Bazar, Chandra Complex, Hanmakonda, Warangal-506 001.

*In addition to above, for all the Schemes, Eligible Brokers/Clearing Members/Depository Participants as defined in the SID will be considered as the Official Point of Acceptance for the transactions preferred through the MFSS and BSEStAR*

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***Name, Address and Website of Registrar:***

**Karvy Computershare Pvt. Ltd. (Unit: Principal Mutual Fund Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal | Hyderabad - 500032.**

• [www.karvycomputershare.com](http://www.karvycomputershare.com)

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