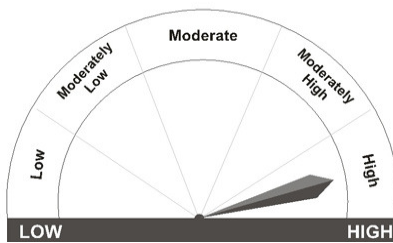


**SCHEME INFORMATION DOCUMENT**

**ESCORTS INFRASTRUCTURE FUND  
(AN OPEN ENDED EQUITY SCHEME)**

Continuous offer for Units at NAV based prices

<b>This product is suitable for investors who are seeking*:</b>	<b>Riskometer</b>
<ul style="list-style-type: none"> <li>To provide income distribution and/ or medium to long term capital gains</li> <li>To invest predominantly in equity/ equity related instrument of the companies in the infrastructure sector</li> </ul>	 <p>Investors understand that their principal will be at high risk.</p>

\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

**Name of Mutual Fund** : **ESCORTS MUTUAL FUND**  
**Address** : 404 – 1A, World Trade Centre, Babar Road,  
 New Delhi – 110001.  
 Ph. No. – 011-43587500, 43587510  
 Fax – 011-43587515  
 Website: www.escortsmutual.com

**Name of Asset Management Company** : **ESCORTS ASSET MANAGEMENT LTD.**  
**CIN** : **U74899DL1995PLC074265**  
**Address** : Admn. Office – 404 – 1A, World Trade Centre,  
 Babar Road, New Delhi – 110001.  
 Ph. No. – 011-43587500, 43587510  
 Regd. Office - Premises No. 2/90, Block-P,  
 Connaught Circus, New Delhi - 110001.

**Name of Trustee Company** : **ESCORTS INVESTMENT TRUST LTD.**  
**CIN** : **U74899DL1995PLC074262**  
**Address** : Regd. Office - Premises No. 2/90, Block-P,  
 Connaught Circus, New Delhi 110 001.  
 Tel: (011) 43587400

**The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund/ Investor Service Centres/ Website/ Distributors or Brokers.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of Escorts Mutual Fund, Tax and Legal issues and general information on [www.escortsmutual.com](http://www.escortsmutual.com).**

**SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website - [www.escortsmutual.com](http://www.escortsmutual.com)**

**The Scheme Information Document should be read in conjunction with the SAI and not in isolation.**

This Scheme Information Document is dated **June 23, 2017**.

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**HIGHLIGHTS - SUMMARY OF THE SCHEME**

- **Scheme**  
Escorts Infrastructure Fund is - close ended equity scheme with an automatic conversion into an open ended scheme on expiry of 5 years from the date of allotment i.e. 21.09.2012.
- **Investment objective**  
The investment objective of the Scheme is to provide income distribution and / or medium to long term capital gains by investing predominantly in equity/equity related instrument of the companies in the infrastructure sector.
- **Investment Options**  
The investor can opt for either Dividend (Regular income) or Growth (Capital Appreciation) Options. Units under each investment Option will have a separate Net Asset Value, after the first Dividend distribution.
- **Liquidity**  
A close ended scheme giving opportunity to exit at NAV related prices, with applicable load, on daily basis.
- **Benchmark**  
The benchmark index used shall be S&P CNX Nifty Index.
- **Transparency/NAV Disclosure**  
Daily determination of Net Asset Value.
- **Loads**  
Entry Load: Nil  
  
Exit Load: 1% if amount withdrawn upto 1 year from the date of allotment.
- **Minimum Application Amount**  
Purchase – Rs. 1000/- and multiples of Re. 1/- thereafter. Additional Purchase - Rs. 1000/- and multiples of Re. 1/- thereafter.
- **Default Options**  
In case the investor does not select suitable alternative, defaults applicable shall be as follows :  
  
Default Plan - Direct  
Default Option – Growth  
Default Dividend Payout Option – Re-invest  
Default SIP Date – 10<sup>th</sup>  
Default SWP Date – 10<sup>th</sup>  
  
Investors are requested to note the following scenarios for the applicability of “Direct Plan (application not routed through distributor) or Regular Plan (application routed through distributor)” for valid applications received under the scheme:

Scenario	Broker Code mentioned by the investor	Plan mentioned by the investor	Default Plan to be captured
1	Not mentioned	Not mentioned	Direct Plan
2	Not mentioned	Direct	Direct Plan
3	Not mentioned	Regular	Direct Plan
4	Mentioned	Direct	Direct Plan
5	Direct	Not mentioned	Direct Plan
6	Direct	Regular	Direct Plan
7	Mentioned	Regular	Regular
8	Mentioned	Not mentioned	Regular

- **Dematerialization of Units**

The Unit holders would have an option to hold the Units in electronic (dematerialized) form or account statement (non-demat) form. Units held in Demat Form are freely transferable. The Applicant intending to hold Units in dematerialized form will be required to have a beneficiary account with a Depository Participant (DP) of the NSDL/CDSL and will be required to mention in the application form DP's Name, DP ID No. and Beneficiary Account No. with the DP at the time of purchasing Units. Unitholders are requested to note that request for conversion of units held in Account Statement (nondemat) form into Demat (electronic) form should be submitted to their Depository Participants.

- **Transaction Charges**

In accordance with SEBI circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, Escorts Mutual Fund shall deduct the Transaction Charges on purchase / subscription received from the investors investing through a valid ARN Holder i.e. AMFI registered Distributor (provided the distributor has opted to receive the Transaction Charges) as under:

- (i) First Time Mutual Fund Investor (across Mutual Funds):  
Transaction Charge of Rs. 150/- per purchase / subscription of R 10,000/- and above will be deducted from the purchase / subscription amount for payment to the distributor of such investor and the balance shall be invested.
- (ii) Investor other than First Time Mutual Fund Investor: Transaction Charge of Rs. 100/- per purchase / subscription of R 10,000/- and above will be deducted from the purchase/ subscription amount for payment to the distributor of such investor and the balance shall be invested.

Transaction Charges in case of investments through SIP are deductible only if the total commitment of investment (i.e. amount per SIP installment x No. of installments) amounts to R 10,000 or more. In such cases, Transaction Charges shall be deducted in 3-4 installments.

It may be noted that Transaction Charges shall not be deducted:

- (a) where the distributor of the investor has not opted to receive any Transaction Charges;
- (b) for purchases / subscriptions / total commitment amount in case of SIP of an amount less than Rs. 10,000/-;
- (c) for transactions other than purchases / subscriptions relating to new inflows i.e. through Switches / Systematic Transfers/ Dividend Transfers/ Dividend Reinvestment, etc.;
- (d) for purchases / subscriptions made directly with the Fund (i.e. not through any distributor);
- (e) for purchases / subscriptions routed through Stock Exchange(s) as applicable.

## **I. INTRODUCTION**

### **A. RISK FACTORS**

#### **Standard Risk Factors:**

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme.
- The name of the scheme does not in any manner indicate either the quality of the scheme or its future prospects and returns.
- The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 1,00,000/- made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return

#### **Scheme Specific Risk Factors:**

- The investments under the Scheme are oriented towards equity/equity related securities of Companies belonging to the infrastructure industries and hence will be affected by risks associated with the infrastructure industries. Further amongst the infrastructure sector as defined under the investment strategy the majority of the equity/ equity oriented investments could be under the single sector. Hence if the said sector does not perform positively as expected by the Fund Manager of the Scheme, the Schemes' performance may be adversely affected due to a risk associated with non-diversification and thus could affect the value of investments.
- Although the Scheme seeks to make investments in equity and equity related securities of the Infrastructure sector, this scheme will not be a sector specific scheme for the purpose of monitoring the investment restrictions applicable to the Scheme and hence investments per issuer under the Scheme will not exceed 10% of the net assets of the Scheme.
- As the Scheme may hold securities that are not in the S&P CNX Nifty Index and may invest in limited number of sectors with higher concentration to certain sectors and industries, it may perform differently from the general stock market. Further Schemes' performance may differ from the benchmark index to the extent of the investments held in the debt segment, as per the investment pattern indicated under normal circumstances.
- In the event that investible funds of more than 65% of the total proceeds in the scheme are not invested in equity shares of domestic companies, the proposed tax exemption on income distribution will not be available to such scheme.
- **Risks associated with Investing in Foreign Securities** - Investment in overseas markets carry a risk on account of fluctuations in the Foreign Exchange rates.
- **Risks associated with Investing in Derivatives** - Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risk associated with investing directly in securities and other traditional investments.
- Derivative products are specialised instruments. They carry the credit risk (risk of default by counterparty), market risk (due to market movements) and liquidity risk (due to lack of liquidity in derivatives). No principal amount is exchanged. A notional principal amount is agreed upon for interest calculation purposes. Only the difference between the two rates is exchanged at agreed intervals or payment dates. When fixed interest rate amount is higher, the fixed rate payer pays the difference amount i.e. fixed interest rate amount minus the floating interest rate amount or vice-versa. This requires investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative add to the portfolio and the ability to forecast price of securities being hedged and interest rate movements correctly. There is a possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counterparty") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- **Risks associated with Investing in Securitised Debt** – Securitised Debt may suffer credit losses in the event of delinquencies and credit losses in the underlying pool exceeding the credit

## **ESCORTS INFRASTRUCTURE FUND**

enhancement provided. As compared to the normal corporate or sovereign debt, securitised debt is normally exposed to a higher level of re-investment risk.

- Risks associated with Short Selling and Securities Lending - Engaging in securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/counter party. It would have the inherent probability of collateral value drastically falling in times of strong downward market trends, rendering the value of collateral inadequate until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and / or the approved intermediary may suddenly suffer severe business setback and become unable to honour its commitments. This, along with a simultaneous fall in value of collateral would render potential loss to the scheme. Besides, there may also be temporary illiquidity of the securities that are lent out and the scheme will not be able to sell such lent out securities until they are returned.

### **B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME**

The Scheme/Plan shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s). However, if such limit is breached during the NFO of the Scheme, the Fund will endeavour to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme / Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme / Plan(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

### **C. SPECIAL CONSIDERATIONS**

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

The tax benefits described in this Statement in addition with Statement of Additional Information are as available under the present taxation laws and are available subject to relevant condition. The information given is included only for general purpose and is based on advice received by AMC regarding the law and practice currently in force in India and the Investors should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely.

**D. DEFINITIONS**

Act	Income-tax Act, 1961
Asset Management Company (AMC)	Escorts Asset Management Limited, incorporated under the Companies Act, 1956 and having its registered Office at Premises No. 2/90, Block-P, Connaught Circus, New Delhi 110 001 and its successors and assigns.
Bank	Scheduled Commercial Bank in India.
Business Day	A day other than Saturday, Sunday and any holiday declared under the Negotiable Instruments Act, 1882 at New Delhi.
Custodian	HDFC Bank Limited, Custodian and Depository Services, Lodha - I Think Techno Campus, Building - Alpha, 8th Floor, Near Kanjurmarg Railway Station, Kanjurmarg (E), Mumbai - 400 042, SEBI registration no. INBI00000063.
Initial Contribution	The sum of Rs. 1,00,000/- (Rupees One Lac only) entrusted to the Trustee by the Sponsor towards the corpus of the Mutual Fund trust.
New Fund Offer	Offer of Units of Escorts Infrastructure Fund during the New Fund Offer Period.
New Fund Offer Period	The period during which the new fund Offer of Units under the Scheme shall be open for subscription.
Investment Management Agreement	The agreement dated 15 <sup>th</sup> April, 1996 between the Trustee and the Asset Management Company.
Load/ Contingent Deferred Sales Charge	Amount collected to cover the cost of promotion of the Scheme.
Mutual Fund or Mutual Fund Trust	The trust established in accordance with the Deed of Trust dated 15 <sup>th</sup> April, 1996 and registered with the Securities and Exchange Board of India on 3 <sup>rd</sup> July, 1996 vide registration no. MF/028/96/4.
Net Asset Value (NAV)	It is the actual value of a Unit issued under the Scheme, on the valuation day.
Offer Document	This document issued by the Mutual Fund offering Units of this Scheme for subscription.
On-going Sale/ Redemption of Units	The facility afforded to prospective investors/ Unit holders to purchase/ redeem Units issued under this Scheme at NAV based sale/ repurchase prices, on an on-going basis.
RBI	Reserve Bank of India
Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.
SEBI	Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
Scheme	Escorts Infrastructure Fund
Sponsor	Escorts Finance Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office at C-30, Friends Colony (East), New Delhi 110 065.
Trustee	Escorts Investment Trust Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office at Premises No. 2/90, Block-P, Connaught Circus, New Delhi 110 001.
Trust Deed	The Deed of Trust dated 15 <sup>th</sup> April, 1996 establishing the Mutual Fund.
Unit	An undivided share in the NAV of the Scheme.



**E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

It is confirmed that:

- (i) the Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- (ii) all legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
- (iii) the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.
- (iv) the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

Date: 23.06.2017  
Place: New Delhi

Sd/-  
**Ashok K. Aggarwal**  
**Chief Executive Officer**

**II. INFORMATION ABOUT THE SCHEME**

**A. TYPE OF THE SCHEME**

Escorts Infrastructure Fund is a close ended equity scheme with an automatic conversion into an open ended scheme on expiry of 5 years from the date of allotment

**B. INVESTMENT OBJECTIVE OF THE SCHEME**

The investment objective of the Scheme is to provide income distribution and / or medium to long term capital gains by investing predominantly in equity/equity related instrument of the companies in the infrastructure sector.

The Scheme will inter-alia invest in companies, which are engaged in the area of infrastructure across the following industries. Please note that the list is indicative and the Investment Manager may add such other sector/group industries, which broadly satisfy the category of infrastructure industries:

- Banking & Financial Services
- Cement & Cement Products
- Coal
- Construction & related Industry
- Electrical & Electronic components
- Energy
- Engineering
- Metals/Mining/Minerals
- Housing
- Industrial Capital Goods
- Industrial Products
- Oil & Gas and Allied Industries
- Petroleum & Related Industry
- Ports
- Power, Power Equipment & Distribution
- Telecom & Communication
- Transportation

The Scheme will invest in companies, which, in the opinion of the Investment Manager, offer an attractive investment opportunity to participate in the growth of the infrastructure sector. These may be across the above-mentioned sectors or other areas of Infrastructure as may be identified by the Fund. The stocks may be at any levels of market capitalization and Fund Manager will use growth investment styles. There will be no restrictions on the level of participation in any of the above industries, except for the Seventh Schedule restriction as prescribed under the SEBI (Mutual Fund) Regulations, 1996. These sectors are only indicative and this could undergo change based on future reforms and developments.

**C. ASSET ALLOCATION AND INVESTMENT PATTERN**

The following asset allocation is proposed to be adhered to, under normal conditions:

Instruments	Indicative allocations (% of total assets)		Risk Profile
	Min.	Max.	High/Medium/ Low
Equity & Equity Related Instruments of the companies in Infrastructure Sector.	65	100	Medium to High
Debt Instruments, Govt. Bonds, Money Market Instruments etc. Investment by the scheme in securitised debt, will not normally exceed 40% of the debt component of the scheme	0	35	Low to Medium

Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may invest the funds of the Scheme in short term deposits of scheduled commercial banks.

## ESCORTS INFRASTRUCTURE FUND



Investments in derivative instruments may be used in the manner and to the extent permissible under SEBI Regulations from time to time.

No investments will be made in foreign securitised debt.

The Scheme will invest primarily in equity and equity related instruments of the companies in infrastructure sector. The Scheme will emphasise well managed, high quality companies with growth prospects that can be purchased at a reasonable price. Typically these companies will be highly competitive, with a large and growing market share. In selecting specific stocks, the Asset Management Company will consider and evaluate amongst various criteria network, consistent growth, strong cash flows, high return on capital etc. Equity related securities include, but are not limited to, fully convertible debentures, partly convertible debentures, convertible preference shares and warrants converting into equity securities. The Scheme will purchase equity shares in the public offerings, rights issues as well as those traded in the secondary markets.

The scheme may also invest in debt instruments such as non convertible portion of Convertible Debentures (Khokas), Non Convertible Debentures, Securitised Debt, Secured Premium Notes, Zero Interest Bonds, Deep Discount Bonds, Floating Rate Bonds / Notes, Government securities and Money Market Instrument like Call Deposit, Repos, Commercial Paper, Certificate of Deposit, Treasury Bills, etc. for providing ongoing liquidity & preservation of capital in a bear market. Debt instruments include, but are not limited to, debt obligations of the Government of India, State and local government, government agencies, statutory bodies, public sector undertakings, public sector banks, private sector banks and corporate entities. They could be listed, unlisted, privately placed or securitised debt securities, among others.

Money market securities include but are not limited to treasury bills, commercial paper of public sector undertakings and private sector corporate entities, inter bank call and notice money, fixed deposits with scheduled commercial banks, certificates of deposits of scheduled commercial banks and development financial institutions, securitised debt, bills of exchange / promissory notes of public sector and private sector corporate entities (co-accepted by banks), government securities with unexpired maturity of one year or one year or less and other money market securities as may be permitted by SEBI/RBI. From time to time it is possible that the portfolio may hold cash.

The investment Manager will invest in securities of short or long maturity, at its discretion. The Scheme will purchase securities in the public offerings and rights issues, as well as those traded in the secondary markets. On occasions, if deemed appropriate, the Scheme will invest in securities sold directly by the issuer, or acquired in a negotiated transaction or issued by way of private placement. The moneys collected under this scheme shall be invested only in transferable securities.

However the weightages of debt & equity may be changed exceptional circumstances, depending on market conditions. The main aim of such steps will be to protect the interests of the unitholders.

The Scheme may invest in domestic securitised debt such as asset backed securities (ABS) or mortgage backed securities (MBS) upto a maximum of 50% of its debt component of portfolio. However, the scheme will not invest in foreign securitised debt. Asset Backed Securities (ABS) are securitised debts where the underlying assets are receivables arising from automobile loans, personal loans, loans against consumer durables, credit card receivables, loans to SME businesses etc. Mortgage backed securities (MBS) are securitised debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS / MBS instruments reflect the undivided interest in the underlying of assets and do not represent the obligation of the issuer of ABS / MBS or the originator of the underlying receivables. The ABS / MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS / MBS holders will suffer credit losses. ABS / MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt. Apart from the interest rate, credit and liquidity risk, other risks associated with securitised debts are (a) Prepayment risks – Prepayment on receivables will cause prepayments on the securities resulting in reinvestment risk to the investor (b) Potential loss on securities due to limited assets of the SPV (c) Bankruptcy of originator could result in losses or delays in payments on the securities (d) Prepayments, potential losses and change in order of priority of principal payments following an event of default (e) Risks arising out of geographic concentration of receivables, if any.

Market for Securitised Debt has increased substantially across the world and has provided much needed depth to the debt market instruments. Mortgages are most common form of asset backed securities. Investors have demonstrated an increasing appetite for these securities as they can provide diversification benefits, higher yields and associated reductions in portfolio volatility. These securities

## ESCORTS INFRASTRUCTURE FUND

are rated, have low average maturity and hence these securities can be suitable choice for investment in the fund to ward off the interest rate risk. High rated securities with a defined remaining maturity can be invested to enhance the overall yield of the portfolio. Union Budget 2005 has also provided for Pass Through Certificates to be included as a form of securities by amending the Securities Contracts Regulation Act, thereby highlighting the need for this instrument.

### **A Brief Note on the Debt and Money Market in India**

The debt market in India is a predominantly institutional market and the key market players are banks, financial institutions, insurance companies, mutual funds, primary dealers and corporates. However, provident / pension funds are also present, though not in a very active manner. It comprises of :

- i. The money market – The market for borrowing / lending monies; and;  
It can be classified into the following categories -
  - The market for clean borrowing / lending i.e. borrowing / lending without the backing of any collateral consists of
    - Call Money: The market for overnight borrowing / lending
    - Notice Money: The market for borrowing / lending from 2 days to a fortnight.
    - Term Money: The market for borrowing / lending from a fortnight to six months
  - The market for collateralized borrowing / lending – mainly consists of
    - Repo transactions - These are repurchase obligation transactions, in which the borrower tenders securities to the lender which is bought back by the borrower on the repurchase date. The price difference between the sale and repurchase of the securities is the implicit interest rate for the borrowing /lending. The eligible underlying securities for these transactions are currently government securities / treasury bills. Corporate bonds etc. are currently not allowed as eligible securities for repo transactions. The minimum repo term (lending / borrowing period) is one day.
    - CBLO means Collateralised Borrowing and Lending obligation and is a discount instrument introduced by the Clearing Corporation of India Limited (CCIL). They can be traded like any other discount instrument. Lenders buy CBLO's and borrowers sell CBLOs. CCIL manages the risks inherent in issuing these securities through a system of margins and deposits that it takes from both lenders and borrowers. CBLOs can be issued/bought/sold for a minimum of one day to a maximum of 364 days.
- ii. The securities market – The market for trading in securities. It is divided into
  - The market for money market (short-term) instruments – which are generally discount securities maturing within one year at the time of issuance. Instruments satisfying this criterion are treasury bills (obligations of the government), commercial paper (obligations of the corporate sector) and certificate of deposit (obligations of banks). Government securities are medium / long-term debt obligations of the government. The market for government securities is the most liquid segment of the Indian debt market. Most of the secondary market trading is concentrated in government securities.
  - The market for Government Securities - Trading in government securities is now done mostly through an electronic trading, reporting and settlement platform developed by the Reserve Bank of India (RBI) called Negotiated Dealing System (NDS). The role of brokers which was an important element of the Indian bond market therefore stands reduced to that extent. Trading in corporate bonds is relatively subdued (in comparison to government securities). Price discovery and trading in this segment is still carried out through the telephone. Attempts at improving the trading, settlement and risk management practices for trading corporate bonds are currently underway.
  - The market for Corporate Bonds
  - The market for other instruments such as securitised debt /PTCs etc.

Trading in other instruments such as securitised debt is relatively scarce. Price discovery and trading in this segment too is through the telephone. The various instruments and their prevailing yields and liquidity are indicated in the following table:

As on March 31, 2017

<b>Instruments</b>	<b>Tenor</b>	<b>Yield p.a.</b>
Treasury Bills	364 days	6.14%
Commercial Paper	1 year	7.25%
Commercial Paper	3 months	6.80%
Government Securities	10 years	6.70%
Government Securities	1-5 years	6.14% - 6.70%
Corporate Bonds	5 years	7.40% - 7.50%
Corporate Bonds	10 years	7.65% - 7.75%

Source: www.fimmda.org

The actual yields will, however, vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time.

The Floating rate securities market is at a growing stage in India. The coupon rate in floating rate securities is linked to an acceptable benchmark. Floating rate securities generally have a coupon rate, which is reset over a regular period depending on the benchmark chosen. The market widely uses the MIBOR benchmarks announced by Independent agencies such as NSE and Reuters. When benchmark interest rate rises, the income generated on these floating rate securities also rise. When the benchmark interest rates fall, the income generated on these floating rate securities also fall. Increasingly more companies are raising resource through floating rate securities. Most of such securities are in the form floating rate debentures at a spread over NSE MIBOR. The Government of India has also started issuing floating rate securities. Such floating rate issuances reduce the interest rate risk of the portfolio in which these securities are held.

- iii. The derivatives market – The market for-fixed income derivatives : The interest rate derivatives market is in a developing stage in the country. Instruments are mainly transacted are -
  - Interest Rate Swaps; and
  - Forward Rate Agreements

Vanilla interest rate swap contracts are contracts, which exchange a fixed amount against a floating benchmark. These are calculated on a notional principal, which is never exchanged. Interest rate swaps can be used to hedge interest rate risk for existing fixed rate exposures; and Create synthetic floating or fixed rate structures. Forward Rate Agreements are contracts which allow the transacting counter parties to fix a borrowing / lending rate for some future date at the current juncture itself.

**D. WHERE WILL THE SCHEME INVEST?**

Investment Approach & Strategy

To achieve its primary objective as mentioned above the fund would under normal circumstances shall invest at least 65% of the value of its total net assets either debt or equity securities in the Infrastructure associated companies. These securities could include:

- Equity and equity related securities including convertible bonds and debentures and warrants carrying the right to obtain equity shares.
- Money market instruments permitted by SEBI/ RBI.
- Certificate of Deposits (CDs) & Commercial paper (CPs)
- In Securitised Debt upto 100% of the corpus
- The non convertible part of convertible securities
- Any other domestic fixed income securities
- ADRs / GDRs issued by Indian power sector companies, subject to guidelines issued by RBI / SEBI
- Foreign debt and equity subject to guidelines issued by RBI /SEBI
- Derivatives like Interest rate swaps, Forward Rate agreements, stock futures, index futures, and other such instruments as permitted by RBI /SEBI
- Any other instruments as allowed by the Regulations from time to time.

The Fund may also enter into “Repo”, “Stock Lending” or such other transactions as may be allowed to Mutual Funds from time to time. For purposes of this Offer Document, fixed Income securities includes, but is not confined to debt obligations of the statutory bodies, public sector undertakings, Financial Institutions, public and private sector banks and corporate entities. The Scheme reserves the right to invest it’s entire allocation in debt and money market securities in any one of the Fixed Income security

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classes. Investments in rated fixed Income securities will be in securities rated by at least one recognized rating agency.

Money market securities includes but are not limited to treasury bills, commercial paper of public sector undertakings and private sector corporate entities, inter bank call and notice money, certificates of deposit of scheduled commercial banks and Financial Institutions, securitised debt, bills of exchange/promissory notes of public and private sector entities (co-accepted by banks) and any other money market securities as may be permitted by SEBI/RBI. From time to time, it is possible that the portfolio may hold cash. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by them as per the guidelines and regulations applicable to such transactions. Further, the Scheme intends to participate in securities lending as permitted within the Regulations. It is the intention of the scheme to trade in the derivatives market as per the Regulations. Further, the Scheme intends to participate in Securities lending as per the Regulations. The scheme also intends to invest in foreign debt securities, as and when permitted by SEBI and in accordance with the Regulations then prevailing.

Procedure and Recording of Investment Decisions:

The Investment decisions are taken by the Fund Manager along with his team of Investment Advisors / Analysts. Records are maintained in support of each investment decision indicating facts and opinion leading to that decision and the basis for taking individual scrip-wise investment decision in equity and debt securities. A research report of all the investment decisions taken for the first time and subsequent purchase and sale in the same scrip is also recorded. The Board of Directors have laid down parameters for Investment Committee to invest in unrated instruments. In terms of such parameters, the proposals for investments in unrated instruments are approved. In case any security does not fall under the parameters, prior approval of the Boards of asset management companies and the trustees are taken.

Further, details of the Investments are included in the Bi-monthly, Quarterly and Half-yearly Reports of the Asset Management Company to the Trustees and also in the Half-yearly Report of the Trustees to SEBI.

**E. INVESTMENT STRATEGIES**

**i. DERIVATIVES AND HEDGING**

Investments for derivative instrument may be done for trading as well as hedging and portfolio balancing.

Exposure to derivative instruments will not exceed 50% of the portfolio value (i.e. net assets including cash). The scheme may use derivatives upto the maximum limit permitted under SEBI Regulations from time to time.

As per SEBI Circular No. DNP/Cir-31/2006 dated September 22, 2006 Mutual Funds are allowed to use derivatives Mutual Funds can use index futures, index options, stock options and stock futures contracts.

In terms of this Circular, Escorts Mutual Fund shall use derivatives as follows :

**Position Limits for Escorts Mutual Fund:  
(i.e aggregate of all schemes)**

Limits (Index Options & Futures)	
Position limit for the option contracts.	On a particular underlying index Rs.500 crores or 15% of the total open interest of the market in index options whichever is higher, per stock exchange.
Position limit for the in Index Futures contracts.	On a particular underlying index Rs.500 crores or 15% of the total open interest of the market in index futures whichever is higher, per stock exchange.

The above limits are applicable on open positions in all options and futures contracts on a particular underlying index.

Limits (Stock Options & Futures)	
For stocks in which the stock- wise position limit is less than or equal to Rs.500 crores.	The Escorts Mutual Fund position limit shall be 20% of the market wise position.
For stocks in which the stock- wise position limit is greater than Rs.500 crores.	The Escorts Mutual Fund position limit shall be Rs.50/- crores.

**Additional position limit for hedging**

Hedging Limits	
Hedge against a fall in share prices (short futures, short calls and long puts).	Short position shall not exceed in notional value the value of Escorts Mutual Fund’s holding of stocks.
Hedge to protect against a rise in prices (short futures, long calls and short puts)	Long position shall not exceed in notional value the value of Escorts Mutual Fund’s holding of cash, g-sec, T bills and similar instruments.

**Position Limits applicable for the scheme:**

- For stock option and stock futures contracts the gross open position across all derivative contracts on a particular underlying stock of the scheme shall not exceed the higher of:  
1% of the free float market capitalization (in number of shares)  
**OR**  
5% of the open interest in derivatives contracts on a particular underlying stock (in terms of number of contracts).
- This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
- For index based contracts, Escorts Mutual Fund shall disclose the total open interest held by this scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

The following example seeking to explain the above limits numerically, are purely illustrative and should not be perceived as any limits or restriction or assurance or otherwise of the probable outcome of such transactions.

Example 1:

**Investment in Index Futures or Options (Long Position) by the scheme without investing in equities:** The scheme mobilizes Rs 500 crores during New Fund Offer. The Scheme may invest all the moneys it has collected in the New Fund Offer in Index Futures or in Index Options. (i.e going long on the market). As investing in particular stocks would involve impact on the share price, buying of Futures and Options which are comparatively more liquid would save the scheme the impact of buying in bulk and paying a higher price for the same. The Fund would thus buy the index futures or options and protect itself against the rise in equity prices. During the course of time it would invest in particular stocks and sell the index futures or index options and reduce the impact cost of buying scripts and influencing their share price.

Event	Gain/(Loss) from derivative position	Gain/(Loss) from cash market position	Overall Gain/(Loss) to Scheme
10% rise in equity price	Rs. 500 Crs. * 10% = Rs. 50 Crs.	NIL	Rs. 50 Crores
10% fall in equity price	Rs. 500 * 10% = (Rs. 50 Crs.)	NIL	(Rs. 50 Crores)

**Objective of the strategy :** To earn low volatility consistent returns.

**Risk associated with the strategy :**

- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.

Example 2:

**Investment in Index Futures or Options (Short Position) by the scheme without investing in equities:** The scheme mobilizes Rs 500 crores during New Fund Offer. The Scheme may invest all the moneys it has collected in the New Fund Offer in Index Futures or Index Options. (i.e going short on the market) when the view is that the market is over heated and the indices may fall When the fund manager feels that the markets have corrected reasonably they may square off their puts and buy into shares in the cash market.

Event	Gain/(Loss) from derivative position	Gain/(Loss) from cash market position	Overall Gain/(Loss) to Scheme
10% rise in equity price	Rs. 500 Crs. * 10% = (Rs. 50 Crs.)	NIL	(Rs. 50 Crores)
10% fall in equity price	Rs. 500 * 10% = Rs. 50 Crs.	NIL	Rs. 50 Crores

**Objective of the strategy :** To earn low volatility consistent returns.

**Risk associated with the strategy :**

- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.

Example 3:

**Use of derivatives (Long Position):** The scheme has a corpus of Rs. 500 Crores. It has invested Rs 100 Crores in equity and the balance amount it can invest in Futures and options of the index or even of individual stocks. Thus it can take advantage of the rise in stock prices and also protect itself against impact cost of buying large quantities of stock.

Event	Gain/(Loss) from derivative position	Gain/(Loss) from cash market position	Overall Gain/(Loss) to Scheme
10% rise in equity price	Rs. 400 Crs. * 10% = Rs. 40 Crs.	Rs. 100 Crs. * 10% = Rs. 10 Crs.	Rs. 50 Crores
10% fall in equity price	Rs. 400 Crs. * 10% = (Rs. 40 Crs.)	Rs. 100 Crs. * 10% = (Rs. 10 Crs.)	(Rs. 50 Crores)

**Objective of the strategy :** To earn low volatility consistent returns.

**Risk associated with the strategy :**

- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.

Example 4:

**Use of derivatives (Short Position):** The scheme has a corpus of Rs. 500 crores. It has invested Rs. 400 Crores in equity. If there is a correction which the fund manager expects it would not be possible for him to sell all the stocks at one point of time. The fund may sell index futures or options and the stock futures or options as they are more liquid and prices of equity, which they hold in the cash market, would not be impacted.

Event	Gain/(Loss) from derivative position	Gain/(Loss) from cash market position	Overall Gain/(Loss) to Scheme
10% rise in equity price	Rs. 400 Crs. * 10% = (Rs. 40 Crs.)	Rs. 100 Crs. * 10% = (Rs. 10 Crs.)	(Rs. 50 Crores)
10% fall in equity price	Rs. 400 Crs. * 10% = Rs. 40 Crs.	Rs. 100 Crs. * 10% = Rs. 10 Crs.	Rs. 50 Crores

**Objective of the strategy:** To earn low volatility consistent returns.

**Risk associated with the strategy :**

- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.



Example 5:

**Call Option :** Assuming that the fund buys a one month call option on XYZ Stock at a strike of Rs. 250; the current market price is Rs. 251 and the fund pays a premium of Rs. 20 to buy the call. In case the stock price goes below Rs. 250 during the tenure of the call, the fund avoids the loss it would have incurred had it straightaway bought the stock instead of the call option. The fund forgoes the premium of Rs. 20 that has to be paid in order to protect the fund from this possible downside. In case the stock goes above Rs. 250, it can exercise its right and own XYZ Stock at a cost price of Rs. 250, thereby participating in the upside of the stock.

**Benefits :** Buying a call option on a stock or index gives the owner the right, but not the obligation, to buy the underlying stock / index at the designated strike price. The downside risks are restricted to the premium paid to purchase the option.

**Objective of the strategy :** To earn the option premium

**Risk associated with the strategy :**

- The underlying security may fall by more than the option premium earned, thereby exposing the strategy to downside risks.
- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.

Example 6:

**Put Option :** Assuming that the fund owns XYZ Stock and also buys a three month put option on XYZ Stock at a strike of Rs. 250; the current market price is Rs. 251 and the fund pays a premium of Rs. 15 to buy this put. If the stock price goes below Rs. 250 during the tenure of the put, the fund can still exercise the put and sell the stock at Rs. 250, avoiding therefore any downside on the stock below Rs. 250. The fund forgoes the fixed premium of Rs. 15 that has to be paid in order to protect the fund from this possible downside. If the stock goes above Rs. 250, let us say to Rs. 270, it will not exercise its option. The fund will participate in the upside of the stock, since it can now sell the stock at the prevailing market price of Rs. 270.

**Benefits :** Buying a put option on a stock originally held provides the buyer with the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

**Objective of the strategy :** To earn the option premium

**Risk associated with the strategy :**

- The underlying security may rise by more than the option premium earned, thereby exposing the strategy to downside risks.
- The risk of mis-pricing or improper valuation and the inability of the derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk : The prices which are seen on screen need not be the same at which execution will take place.

Example 7:

**Writing Options : With underlying stock holding (Covered call writing) :** Assuming that the fund owns XYZ Stock, the current market price being Rs. 4000. The fund manager holds the view that the stock should be sold when it reaches Rs. 4300. Currently, the one month 4300 calls can be sold at say Rs. 200. Selling this call gives the call owner the right to buy from the fund XYZ Stock at Rs. 4300. Now the fund by buying / holding the stock and selling the call is effectively agreeing to sell XYZ Stock at Rs. 4300 when it crosses this price. So the fund is giving up any possible upside beyond Rs. 4300. However, the returns on the fund are higher than what it would have got if it just held the stock and decided to sell it at Rs. 4300. This is because by writing the covered call the fund gets an additional Rs. 200 per share of XYZ Stock. In case the price is below Rs. 4300 during the tenure of the call, then it will not be exercised and the fund will continue to hold the shares. Even in this case the returns are higher than if the fund had just held the stock waiting to sell it at Rs. 4300.

**Benefits :** Under this strategy a writer (here the fund) holds a particular stock and sells in the market a call option on the stock. The buyer of the call option now has the right to buy this stock from the writer at a particular price, which is fixed by the contract (the strike price). The writer receives a



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### Risks associated with Derivatives

Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. There is a possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counterparty") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Also, the market for derivative instruments is nascent in India.

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to

identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify and execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than the risk associated with investing directly in securities and other traditional investments.

### Exposure Limits (SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated 18.08.2010)

1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
2. Mutual Funds shall not write options or purchase instruments with embedded written options.
3. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.
4. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
5. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following
  - a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
  - b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 3.
  - c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
  - d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
6. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
7. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 1 above.

• **Top 10 holdings by issuer: (As on March 31, 2017)**

<b>Security Name</b>	<b>Weightage (%)</b>
Aegis Logistics Limited	8.87
Dilip Buildcon Ltd.	5.63
Gujarat State Petronet Limited	8.66
GVK Power & Infrastructure Limited	1.50
Housing Development Finance Corporation Limited	7.90
Indian Hotels Co. Limited	5.45
Indraprastha Medical Corporation Limited	1.30
IRB Infrastructure Developers Limited	7.61
JK Cements Ltd	5.02
Larsen & Toubro Limited	9.93

• **Top 10 holdings by sectors: (As on March 31, 2017)**

<b>Sector</b>	<b>Allocation (%)</b>
Construction	20.58
Power	20.17
Gas	17.53
Finance	7.90
Hotels	5.45
Transportation	4.60
Industrial Products	4.32
Healthcare Services	1.30

Website link for latest monthly scheme Portfolio:	<a href="http://www.escortsmutual.com/downloads.aspx?Cat=Portfolio">http://www.escortsmutual.com/downloads.aspx?Cat=Portfolio</a>
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**ii. PORTFOLIO TURNOVER POLICY**

Portfolio turnover is defined as the aggregate of purchases and sales as a percentage of the corpus of the scheme during a specified period of time.

As the nature of the scheme is dynamic, the fund manager may churn the portfolio keeping in mind the investment objective of the scheme. If the Fund Manager is of the opinion that there is an opportunity to enhance the total return of the portfolio, the Scheme may take trading exposure which may result in high portfolio turnover.

Portfolio Turnover Ratio: 18.04%

**iii. CHANGE IN INVESTMENT PATTERN**

Subject to Regulations, the asset allocation indicated above may change from time to time keeping in view market condition, market opportunities, applicable regulations, legislative amendments and other political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unitholders.

The fund shall seek Unitholders approval, if necessary, and in accordance with the Regulations, if there is any change in the Fundamental Attributes pursuant to change in investment Pattern.

**iv. INVESTMENT BY THE AMC IN THE SCHEME**

The AMC may invest in the scheme from time to time, as per SEBI regulations. However, in respect of investment by the Scheme in Units of other Mutual Fund Scheme(s), AMC shall not be entitled to charge any Investment Management and Advisory Fees.

**v. SECURITIES LENDING**

If permitted by SEBI under extant regulations / guidelines, the Scheme may also engage in securities lending activity. Stock Lending means the lending of securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the scheme portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period. The AMC will adhere to the following strict internal limits should it engage in stock lending :

It may lend the securities held by it to eligible brokers, dealers, financial institutions, etc. through approved intermediaries, in amounts upto 75% of its total net assets at the time of lending, in accordance with the Guidelines for Participation by Mutual Funds in Stock Lending Scheme and any other guidelines / regulations issued by SEBI. The scheme would limit its exposure, with regard to securities lending, for a single intermediary, to the extent of 25% of the total net assets of the scheme at the time of lending. Collateral must be obtained by approved intermediary for the lending transactions. However, the Asset Management Company and the Trustees reserve the right to modify the above-mentioned limits. Any default / delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the scheme. Collateral would always be obtained by the approved intermediary and would always be more than the value of securities lent. Collateral can be in the form of cash, bank guarantee, government securities, as may be agreed upon with the approved intermediary and would also be subject to mark to market valuation on a daily basis.

Example : A fund has an equity share of a company which it would wish to hold for a long period of time as a core holding in the portfolio as per the fund manager's plan. In that case the investors would be benefited only to the extent of the rise in the value of the share, from time to time if any, on the exchange. If the fund is enabled to lend the said security to a borrower who would be wanting to take advantage of the market fluctuations in its price, the borrower would return the security to the lender (scheme) at a stipulated time or on demand for a negotiated compensation. The fund's unitholders can enhance their returns to the extent of the compensation it will earn for lending the same. An adequate security or collateral will have to be maintained by the intermediary. This should always be higher than the cost of the security. Thus it is in the interest of the investors that returns can be enhanced by way of stock lending rather than hold the security only for capital appreciation potential.

Thus the scenario under which the fund would participate in stock lending would be :

1. There is a holding of security eg 1 lakh shares of XYZ Ltd in the fund, which the fund manager wants to be the core holding of the scheme for approximately 6 to 12 months.
2. There is a borrower (not mutual fund) for the security, (who has taken a short position in the market and needs XYZ Ltd shares to settle it) who is willing to put up a proper collateral for the same. (In all cases higher than the price of the script).
3. The borrower is represented by a proper recognized intermediary.
4. The agreement is to return the security or the amount so negotiated at a particular period of time or on demand.

Then the security will be lent by the fund and the unitholders would benefit from the additional compensation earned for lending, apart from the capital appreciation, which also happens in that stock.

**F. FUNDAMENTAL ATTRIBUTES**

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i) Type of a scheme

- Close ended scheme
- Diversified Equity Fund

(ii) Investment Objective

- Main Objective - Growth.
- Investment pattern –

<b>Instrument</b>	<b>Likely Proportion* (%)</b>	<b>Risk</b>
Equity & Equity Related Instruments of the companies in Power/ Energy Sector.	65 -100	Medium to High
Debt Instruments, Govt. Bonds, Money Market Instruments etc. Investment by the scheme in securitised debt will not normally exceed 40% of the debt component of the scheme.	0 - 35	Low to Medium

Notes: \* = as a proportion of the net assets of the scheme

**Change in investment pattern**

Subject to Regulations, the asset allocation indicated above may change from time to time keeping in view market condition, market opportunities, applicable regulations, legislative amendments and other political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unitholders.

The fund shall seek Unitholders approval, if necessary, and in accordance with the Regulations, if there is any change in the Fundamental Attributes pursuant to change in investment Pattern.

(iii) Terms of Issue

- Liquidity provisions –  
An open-ended scheme with daily determination of Net Asset Value and providing opportunity to invest and exit at NAV related prices, with applicable load, on daily basis.
- Aggregate fees and expenses charged to the scheme –  
Total expenses of the scheme including the investment management and advisory fee shall be within the limits stated in Regulation 52(6), or as may be prevailing under the Regulations from time to time.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- 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
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

**G. BENCHMARK**

This scheme proposes investment in primarily in Equity and Equity related instruments of companies in the Power / Energy Sector. Hence, the benchmark index used shall be BSE Power Index. The Bombay Stock Exchange launched the 'BSE Power Index' on 09.11.2007 constituting 14 upcoming Companies in the power sector. The index tracks the performance of companies engaged in the business of generation, transmission, distribution of electricity, companies providing power infrastructure, and manufacturers of power equipment.

Example: Weightage of the Power Scrips in the BSE Power Index as on June 13, 2017

<b>Scrip Name</b>	<b>Weightage</b>
NTPC	25.70
Power Grid Corp	21.35
Siemens	9.14
BHEL	6.66
NHPC	6.53
ABB India	6.03
Tata Power	4.10
Reliance Infra	2.40
CESC	2.30
GMR Infra	2.21
Thermax	2.20
Reliance Power	2.20
Adani Power	2.06
JSW Energy	2.00
Suzlon Energy	1.86
Torrent Power	1.71
CG Power	1.00
PTC India	0.55

The abovementioned BSE Power Index is only for performance comparison purposes and should not be construed as investment pattern of the Scheme. The scheme shall have the flexibility to invest in stocks that are outside the composition of the index but are within the investment focus of the scheme. The scheme may broadly follow the composition of the index without necessarily tracking it.

**H. WHO MANAGES THE SCHEME (FUND MANAGEMENT TEAM)**

<b>Name &amp; Age</b>	<b>Qualification</b>	<b>Tenure for scheme management</b>	<b>Type and nature of past experience including assignment held during the last 10 years</b>	<b>Other Schemes Managed</b>
Ms. Pushpa Rai 47 years Fund Manager (Debt)	M.Com, MFM (Narsee Monjee Institute of Management Studies)	Since Feb 2017	She has over 20 years of experience in the financial sector on both, fixed income products as well as equity markets. Her previous assignments included Heading Debt funds and managing Pension funds, surplus funds with IDBI Capital Market Services (March 2007 – Feb. 2010); Heading Debt and Equity Research at Mata Securities (Sep 1995 – April 2006).	<ul style="list-style-type: none"> <li>• Escorts Gilt Plan</li> <li>• Escorts Income Bond</li> <li>• Escorts Income Plan</li> <li>• Escorts Liquid Plan</li> <li>• Escorts Short Term Debt Fund</li> <li>• Escorts High Yield Equity Plan</li> <li>• Escorts Opportunities Fund</li> <li>• Escorts Power &amp; Energy Fund</li> <li>• Escorts Balanced Fund</li> </ul>

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<p>Mr. Sanjeev Sharma</p> <p>41 years Fund Manager (Equity)</p>	<p>MBA Finance, B.com (Kurukshetra University)</p>	<p>Since Feb 2017</p>	<p>He has experience in Fixed Income dealing/trading in G-sec, corporate bond and other money market instruments, Identifying and monitoring of investment opportunities in different asset classes</p>	<ul style="list-style-type: none"> <li>• Escorts Growth Plan</li> <li>• Escorts High Yield Equity Plan</li> <li>• Escorts Leading Sectors Fund</li> <li>• Escorts Opportunities Fund</li> <li>• Escorts Power &amp; Energy Fund</li> <li>• Escorts Tax Plan</li> <li>• Escorts Balanced Fund</li> </ul>
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**I. INVESTMENT RESTRICTIONS**

The investment policy of the Scheme complies with the rules, regulations and guidelines laid out in SEBI (Mutual Funds) Regulations, 1996. As per the Regulations, specifically the Seventh Schedule, the following investments limitations are applicable :

1. A mutual fund scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of directors of the asset management company.  
 Provided that such limit shall not be applicable for investments in Government Securities, treasury bills and collateralized borrowing and lending obligations.  
 Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with the Board.
  
2. In terms of SEBI Circular No. SEBI/ /HO/IMD/DF2/CIR/P/2017/14 dated 22.02.2017, total exposure of debt schemes of mutual funds in a particular sector (excluding investments in Bank CDs, CBLO, G-Secs, TBills, short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 25% of the net assets of the scheme. An additional exposure to financial services sector (over and above the limit of 25%) not exceeding 15% of the net assets of the scheme shall be allowed only by way of increase in exposure to Housing Finance Companies (HFCs). Further, the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 25% of the net assets of the scheme.  
  
 Further, Mutual Funds/AMCs shall ensure that total exposure of debt schemes of mutual funds in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the Net Assets of the Scheme. Such investment limit may be extended to 25% of the Net Assets of the Scheme with the prior approval of the Board of Trustees. For this purpose, a group means a group as defined under regulation 2 (mm) of SEBI (Mutual Funds) Regulations, 1996 and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.
  
3. The scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investments in such instruments shall not exceed 25% of the NAV of the scheme. The proposals for investment in unrated debt instruments may be approved by Committee. However, the detailed parameters must be approved by the AMC Board and the Trustees. In case any security does not fall under the parameters, the prior approval of Boards of AMC and Trustee shall be required.
  
4. The Mutual Fund under its entire scheme, including this Scheme shall not own more than 10% of any company/s paid up capital carrying voting rights.
  
5. Transfers of investments from one scheme to another scheme in the same Mutual Fund shall be allowed only if:
  - such transfers are done at the prevailing market price for quoted instruments on spot basis; and



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- the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.
6. The Scheme may invest in another scheme under the same asset management company or any other mutual fund, without charging any fees, provided that the aggregate inter-scheme investments made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the Mutual Fund.
  7. The Mutual Fund shall buy and sell securities on the basis of deliveries and shall, in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities, Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board, Provided further that a mutual fund may enter into derivatives transactions on a recognised stock exchange, subject to framework specified by the Board.
  8. The Mutual Fund shall get the securities purchased, transferred in the name of the Mutual Fund on account of the concerned Scheme, whenever investments are intended to be of a long-term nature.
  9. Pending deployment of funds of a scheme in securities in terms of investment objectives of the scheme a mutual fund can invest the funds of the scheme in short term deposits of scheduled commercial banks. The investment in short term deposits shall be reported to the trustees along with the reasons for the investment, which, interalia, would include comparison with interest rates offered by other scheduled commercial banks. Further, the AMC shall ensure that the reasons for such investments are recorded in the manner prescribed in SEBI Circular MFD/CIR/6/73/2000 dated 27.07.2000. Further, in terms of SEBI Circular No .SEBI/IMD/Cir No. 1/91171/07 dated 16.04.2007 the following guidelines shall be followed :
    - "Short Term" for such parking of funds by mutual funds shall be treated as a period not exceeding 91 days.
    - Such short term deposits shall be held in the name of the concerned scheme.
    - No mutual fund scheme shall park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
    - No mutual fund scheme shall park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
    - Trustees shall ensure that no funds of a scheme may be parked in short term deposit of a bank which has invested in that scheme.
    - Asset Management Company (AMC) shall not be permitted to charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks in case of liquid and debt oriented schemes.  
However, the above-said Circular shall not be applicable to term deposits placed as margins for trading in cash and derivatives market.
  10. The Mutual Fund shall not make any investment in
    - any unlisted security of an associate or group Company of the Sponsor; or
    - any security issued by way of private placement by an associate or group Company of the Sponsor; or
    - the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.
  11. No scheme of a Mutual Fund shall make any investment in any fund of funds.
  12. In case of investments in securitised debts, the Scheme may invest in asset backed securities and mortgage backed securities. Investment in securitised debt shall be upto a maximum of 10% of its NAV.
  13. The scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments in case of open ended schemes.
  14. The Scheme shall not advance any loans for any purpose.
  15. The scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any company.

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

Further, it is clarified that the investment limits mentioned in (1) and (2) above are applicable to all debt securities which are issued by public bodies/institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either central or state government. Government securities issued by central/state government or on its behalf by RBI are exempt from the above referred investment limits.

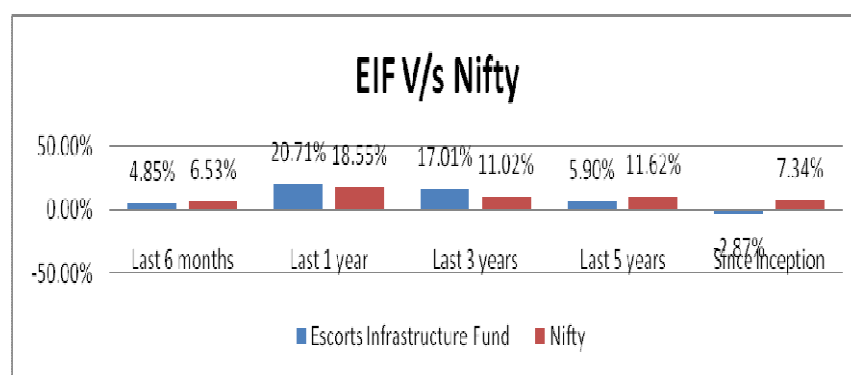
All investment restrictions stated above shall be applicable at the time of making investment. The Scheme will not enter into any transaction, which exposes it to unlimited liabilities or results in the encumbering of its assets in any way so as to expose them to unlimited liability. These investment limitations / 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 or commitment to invest. Changes do not have to be effected merely because of 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.

It is further clarified that the scheme will not invest in foreign securitised debt.

In the event of any amendment to the Regulations, in general and to the Seventh Schedule thereto, in particular, the Trustee shall take note of the same and may alter these investment restrictions, from time to time, with immediate effect, if need be, to enable the Scheme to make investments to achieve its investment objective.

**J. SCHEME PERFORMANCE**

<b>Compounded Annualised Returns</b>	<b>Scheme Returns %</b>	<b>Benchmark Returns %</b>
Returns for the last 1 year	20.71%	18.55%
Returns for the last 3 years	17.01%	11.02%
Returns for the last 5 years	5.90%	11.62%
Returns since inception	-2.87%	7.34%



As on 31.03.2017

**K. ADDITIONAL DISCLOSURE**

Aggregate Investments in the scheme by Board of Directors / Fund Managers / Other Key Managerial Persons as on 31.03.2017:

<u>Particulars</u>	<u>Aggregate Investments (Rs. in lakhs)</u>
Board of Directors	NIL
Fund Managers	NIL
Other Key Managerial Persons	NIL

**III. UNITS AND OFFER**

Being a close ended scheme, it will automatically convert into an open ended scheme on expiry of 5 years from the date of allotment.

**A. ONGOING OFFER DETAILS**

Subsequent Purchase Of Units

1. A Unit holder/investor may request for purchase of Units for a specific amount (not less than Rs. 1,000/-). An existing Unit holder may also make subsequent purchase of Units under the same account or a fresh account.
2. Unit holders/investors who are desirous of purchasing Units are required to lodge the application duly signed with any of the offices of the Asset Management Company mentioned in the Application form. Applications for purchase by mail, from Unit holders/investors located at places where there are no offices of the Asset Management Company should be sent. Preferably by Registered Post to the Asset Management Company at New Delhi. Applications for purchase by telephone, telegram, facsimile or other means and/or those that lack valid signatures will not be accepted. However, the Mutual Fund may specify alternate means, in this regard, from time to time.
3. For valid applications received on any business day (which excludes Saturday, Sunday and any holiday declared under the Negotiable Instruments Act, 1882 at New Delhi) :  
In terms of SEBI Circular No. SEBI/IMD/DF/15/2010 dated November 26, 2010 the following cut off timings shall be applicable in respect of purchase of units and the following NAVs shall be applied for such purchase :
  - i. Purchases for an amount of Rs 2 lakh and above:  
In respect of valid application received before 3.00 p.m. and funds for the entire amount of subscription / purchase as per the application are credited to the bank account of the scheme and are available for utilization before the cut-off time of 3.00 p.m., the closing NAV of the day shall be applicable;  
In respect of valid application received after 3.00 p.m. and funds for the entire amount of subscription / purchase as per the application are credited to the bank account of the scheme and available for utilization before the cut-off time of the next business day, the closing NAV of the next business day shall be applicable;  
Irrespective of the time of receipt of application, the closing NAV of the day on which the funds are credited to the bank account of the scheme and available for utilization before the cut-off time on any subsequent business day, the closing NAV of such subsequent business day shall be applicable.
  - ii. For switch-in of Rs 2 lakh and above
    - a. Application for switch-in is received before the applicable cut-off time of 3.00 p.m;
    - b. Funds for the entire amount of subscription/purchase as per the switch-in request are credited to the bank account of the respective switch-in schemes before the cut-off time;
    - c. The funds are available for utilization before the cut-off time, by the respective switch-in schemes
  - iii. Purchases/switch-in for amount of less than Rs 2 lakh:
    - a. where the application is received upto 3.00 pm with a local cheque or demand draft payable at par at the place where it is received – closing NAV of the day of receipt of application;
    - b. where the application is received after 3.00 pm with a local cheque or demand draft payable at par at the place where it is received – closing NAV of the next business day and;

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- c. where the application is received with an outstation cheque or demand draft which is not payable on par at the place where it is received – closing NAV of day on which the cheque or demand draft is credited
4. In case the investor does not select suitable alternative, defaults applicable shall be as follows :  
Default Plan - Direct  
Default Option – Growth  
Further,
  - a. In case Distributor code is mentioned in the application form, but “Direct Plan” is indicated against the Scheme name, the Distributor code will be ignored and the application will be processed under Direct Plan.
  - b. Where application is received for Regular Plan without Distributor code or “Direct” mentioned in the ARN Column, the application will be processed under Direct Plan.
  - c. In case neither the distributor’s code nor “Direct” is indicated in the application form, the same will be treated as “Direct Plan” application.

**Uniform process for aggregating split transactions for NAV applicability:**

Pursuant to AMFI circular no. 135/BP/35/2012-13 dated February 18, 2013, the following practice of aggregating split transactions shall be followed and accordingly the closing NAV of the day on which the funds are available for utilization shall be applied where the aggregated amount of investments is Rs. 2 lacs and above:

- a. All transactions received on the same day (as per Time stamp rule).
  - b. Transactions shall include purchases, additional purchases, excluding Switches, SIP/STP/triggered transactions and various other eligible systematic transactions as mentioned in the para titled “Special Products” of respective SIDs.
  - c. Aggregations shall be done on the basis of investor’s PAN. In case of joint holding, transactions with similar holding structures shall be aggregated.
  - d. All transactions shall be aggregated where investor holding pattern is same as stated above, irrespective of whether the amount of the individual transaction is above or below Rs 2 lacs.
  - e. Only transactions in the same scheme shall be clubbed. This will include transactions at plan / option level (Dividend, Growth, Direct).
  - f. Transactions in the name of minor, received through guardian should not be aggregated with the transaction in the name of same guardian.
- Further, investors may please note that the said process is being followed in line with the directives specified by Association of Mutual Funds in India (“AMFI”). EMF shall reserve the right to change / modify any of the terms with respect to processing of transaction in line with directives specified by Securities & Exchange of Board of India or AMFI from time to time.
5. Sale of Units may be suspended temporarily or indefinitely when any one or more of the following conditions exist:
    - The stock/ fixed income securities/ money market stops functioning or trading is restricted;
    - Periods of extreme volatility in the stock/ fixed income securities/ money market, which, in the opinion of the Asset Management Company is prejudicial to the interest of the existing Unit holders;
    - Declaration of war or occurrence of insurrection, civil commotion, natural calamity or sustained financial, political or industrial emergency, strife or disturbance; and/ or
    - SEBI, by order so directs.
  6. Barring unforeseen circumstances, a Statement of Account, reflecting the number of Units purchased, the purchase value and the fresh balance of Units outstanding in the account will be dispatched within 10 business days from the date of application for purchase.
  7. The effect of purchases, inter alia, will be to increase the outstanding Unit Capital of the Scheme by an amount equivalent to the product of the number of Units purchased and the face value of the Units. Further, holding of Units may be fractional (upto three decimal places). Holding of fractional Units does not in any way reduce or limit the rights of such Unit holders.

<p>Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors.</p> <p>This is the price you need to pay for purchase/switch-in.</p> <p><i>Example: If the applicable NAV is Rs. 10, entry load is 2% then sales price will be:</i>  <math>Rs. 10 * (1+0.02) = Rs. 10.20</math></p>	<p>At the applicable NAV subject to prevailing Entry Load, if any.</p> <p>Entry Load – 2.25% (Nil for direct applications)</p> <p>However, in terms of SEBI Circular No. SEBI/IMD/CIR No.10/112153/07 dated 31.12.2007, no entry load shall be charged for direct applications received by the Escorts Asset Management Ltd. i.e. applications received through internet, submitted to Escorts Asset Management Ltd. or collection centre/ Investor Service Centre that are not routed through any distributor/agent/broker. This shall also be applicable to additional purchases done directly by the investor under the same folio and switch-in to a scheme from other schemes if such a transaction is done directly by the investor.</p>
<p>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</p> <p>This is the price you will receive for redemptions/switch outs.</p> <p><i>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be:</i>  <math>Rs. 10 * (1-0.02) = Rs. 9.80</math></p>	<p>At the applicable NAV subject to prevailing Exit Load, if any.</p> <p>At present, the Exit Load is as follows :</p> <p>1% if amount withdrawn upto 1 year from the date of allotment.</p>
<p>Cut off timing for subscriptions/ redemptions/ switches</p> <p>This is the time before which your application (complete in all respects) should reach the official points of acceptance.</p>	<p>In terms of SEBI Circular No. SEBI/IMD/DF/15/2010 dated November 26, 2010 the following cut off timings shall be applicable :</p> <ol style="list-style-type: none"> <li>where the application is received upto 3.00 P.M. – closing NAV of the day of receipt of application.</li> <li>where the application is received after 3.00 P.M. – closing NAV of the next business day.</li> </ol>
<p>Where can the applications for purchase/redemption switches be submitted?</p>	<p>Escorts Asset Management Limited                  Admn. Office: 404 – 1A, World Trade Centre,                  Babar Road, New Delhi – 110001.                  Ph. No. – 011-43587500, 43587510                  Fax – 011-43587515                  Website : <a href="http://www.escortsmutual.com">www.escortsmutual.com</a>                  Official points of acceptance, collecting banker details etc. – appearing on back cover page.</p>
<p>Minimum amount for purchase/redemption/swiches</p>	<p>A Unit holder/ investor may request for purchase of Units for a specific amount (Rs. 1,000/- and in multiples of Rs. 1/- thereafter.).                  Minimum redemption amount - Rs. 1,000/-.</p>

**Minimum balance to be maintained and consequences of non maintenance**

In any case, if the effect of the notice for redemption is to reduce the balance in the account of the investor below the minimum account balance of Rs. 1,000/-, the Mutual Fund has the right to close the account and redeem the balance holding of Units, at the prevailing NAV after 30 days from the date on which the balance in the account of the investor fell below the minimum account balance of Rs. 1,000/- unless the Unit holder responds favourably to the notice issued by the Mutual Fund to the Unit holder, in this regard. In case, the effect of the notice for redemption is to reduce the balance in the account of the investor to a debit balance, then the credit balance in the account of the investor, as on the date of notice for redemption, prior to consideration of the notice for redemption will be payable.

**Special Products available**

**Systematic Investment Plan (SIP)**

- Minimum Investment Amount - Monthly Option - Rs. 1,000/- per month subject to minimum 6 installments. Quarterly Option - Rs. 1,500/- per quarter subject to minimum 4 installments.
- SIP Dates – 1<sup>st</sup>, 10<sup>th</sup> and 25<sup>th</sup> of every month. In case the investor does not select suitable alternative, default date applicable shall be 10<sup>th</sup>.
- Registration of SIP – SIP to be registered by the investors with Escorts Mutual Fund atleast 30 clear days before the first SIP date.
- Validity of SIP – As indicated by the investors in the application form against SIP Start Date and SIP End Date. If SIP End Date is not filled the SIP Auto Debit will be considered perpetual till further instructions are received from the investor.
- Termination of SIP – If 3 consecutive SIPs fail, the SIP will be automatically terminated without any notice to investors. However, in case the investor gives in writing to discontinue SIP, the instructions must reach Escorts Mutual Fund atleast 20 clear days from the next SIP date.

**Dividend Re-investment Plan (DRIP)**

- Unit holders, under the Dividend Option may choose to re-invest the whole or a part of their dividend income (subject to a minimum of Rs. 1,000/- in additional units of the Scheme instead of receiving the same in cash under DRIP).
- The dividend due and payable to the Unitholder will be automatically reinvested at the first ex-dividend NAV prevailing after the dividend declaration.
- The dividend so reinvested shall be construed as payment of dividends to the Unitholder and construed as receipt of same amount from each Unitholder for reinvestment in units.
- On reinvestment of dividends, the number of units to the credit of Unitholder will increase to the extent of the dividend by the NAV applicable on the day of reinvestment.
- Such reinvested dividends being similar to dividend payout, it will be tax exempt in the hands of the Unitholder.

**Systematic Withdrawal Plan (SWP)**

- The SWP allows investors to withdraw fixed amounts on monthly or quarterly basis, for any continuous period of not less than six months by redeeming their investments in Units.
- SWP Dates - 1<sup>st</sup> and 10<sup>th</sup> of every month. In case the investor does not select suitable alternative, default date applicable shall be 10<sup>th</sup>.
- The minimum amount, which the Unit holder can withdraw, is Rs. 1,000/-, per month or quarter.
- Unit holders may change the amount indicated in the SWP, subject to a minimum amount of Rs. 1,000/-, per month or quarter.
- The Board of Trustees/AMC reserve the right to alter/vary the terms of SWP.

**Accounts Statements**

Each Unitholder will receive an Account Statement each time additional purchases or redemptions of Units are made, or distributions in respect of Units are declared and paid.

For normal transactions (other than SIP) during ongoing sales and repurchase:

- The AMC shall issue to the investor whose application (other than SIP) has been accepted, an account statement specifying the number of units allotted (state the service standard for the same)
- For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail.
- The unitholder may request for a physical account statement by writing/calling the AMC/ISC/R&T.

For SIP transactions;

- Account Statement for SIP will be despatched once every quarter ending March, June, September and December within 10 working days of the end of the respective quarter.
- A soft copy of the Account Statement shall be mailed to the investors under SIP to their e-mail address on a monthly basis, if so mandated.
- However, the first Account Statement under SIP shall be issued within 10 working days of the initial investment/transfer.
- In case of specific request received from investors, Mutual Funds shall provide the account statement (SIP) to the investors within 5 working days from the receipt of such request without any charges.

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### Applicable to Investors who opt to hold Units in Non-Demat Form

- The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 Business Days of receipt of valid application/transaction to the Unit holders registered e-mail address and/or mobile number.
- A consolidated account statement for each calendar month to the Unit holder(s) in whose folio(s) transaction(s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month shall be sent by mail or e-mail.
- In the event the account has more than one registered holder, the first named Unit holder shall receive the CAS/ account statement.
- The transactions viz. purchase, redemption, switch, dividend payout, etc., carried out by the Unit holders shall be reflected in the CAS on the basis of Permanent Account Number (PAN).
- The CAS shall not be received by the Unit holders for the folio(s) not updated with PAN details. The Unit holders are therefore requested to ensure that the folio(s) are updated with their PAN.

The Unit holder may request for a physical account statement by writing to/calling the AMC/ISC/RTA. The Mutual Fund/ AMC shall despatch an account statement within 5 Business Days from the date of the receipt of request from the Unit holder.

### Half-Yearly Consolidated Account Statement:

- A consolidated account statement detailing holding across all schemes at the end of every six months (i.e. September/ March), on or before 10<sup>th</sup> day of succeeding month, to all such Unitholders holding units in non- demat form in whose folios no transaction has taken place during that period shall be sent by mail/email.
- The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is registered with the Fund, unless a specific request is made to receive in physical.

Pursuant to SEBI circular SEBI/HO/IMD/DF2/CIR/P/2016/89 dated September 20, 2016, the following points have been incorporated to increase the transparency of information to the investors:

- (a) Each CAS issued to the investors shall also provide the total purchase value / cost of investment in each scheme.
- (b) Further, CAS issued for the half-year (ended September/ March) shall also provide:
  - (i) The amount of actual commission paid by AMCs/Mutual Funds (MFs) to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme. The term 'commission' here refers to all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/MFs to distributors. Further, a mention may be made in such CAS indicating that the commission disclosed is gross commission and does not exclude costs incurred by distributors such as service tax (wherever applicable, as per existing rates), operating expenses, etc.
  - (ii) The scheme's average Total Expense Ratio (in percentage terms) for the half-year period for each scheme's applicable plan (regular or direct or both) where the concerned investor has actually invested in.
- (c) Such half-yearly CAS shall be issued to all MF investors, excluding those investors who do not have any holdings in MF schemes and where no commission against their investment has been paid to distributors, during the concerned half-year period. Any circular/clarification issued by SEBI in this regard will automatically become applicable and shall be incorporated in the SID/SAI/KIM wherever applicable.

### Applicable to Investors who opt to hold Units in Demat Form

The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 Business Days of receipt of valid application/transaction to the Unit holders registered e-mail address and/or mobile number. The statement of holding of the beneficiary account holder for units held in demat will be sent by the respective DPs periodically.

### Dividend

The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.

Redemption – The redemption or repurchase proceeds shall be despatched to the unitholders within 10 working days from the date of redemption or repurchase

1. After 30 days from the date of closure of the New Fund Offer Period or as earlier as the Trustee may decide, the Units can be redeemed, on daily basis, at the then prevailing NAV.
2. A Unit holder may request for redemption of a specific redemption amount (not less than Rs. 1,000/-). The sale and re-purchase prices for subsequent purchase and redemption of Units under

**ESCORTS INFRASTRUCTURE FUND**

- the Scheme respectively shall be disclosed for each such business day. The sale and repurchase price of units shall be published in a daily newspaper on a daily basis. In accordance with the Regulations, it shall be ensured that the sale price is not higher than 107% of the Net Asset Value and the repurchase price is not lower than 93% of the Net Asset Value and that the difference between the sale and repurchase price does not exceed 7% of the sale price.
3. Notice for redemption of Units, in the prescribed form, duly signed by all the registered unit holders (except if held on 'either or survivor' or 'anyone or survivor' basis in which case the notice can be signed singly) may be sent to the offices of the Asset Management Company, preferably by registered post. Notices for redemption by telephone, telegram, facsimile or other means and/ or those that lack valid signatures will not be accepted. However, the Mutual Fund may specify alternate means, in this regard, from time to time. **It is mandatory** for the investors of Escorts Mutual Fund Scheme(s) to mention their bank account particulars in their requests for redemption.
  4. In respect of valid redemption requests received by the Mutual Fund, the following cut off timings and NAVs shall be applicable :  
In terms of SEBI Circular No. SEBI/IMD/DF/15/2010 dated November 26, 2010 the following cut off timings shall be applicable :
    - a. where the application is received upto 3.00 P.M. – closing NAV of the day of receipt of application.
    - b. where the application is received after 3.00 P.M. – closing NAV of the next business day.
  5. Barring unforeseen circumstances, redemption warrants (along with fresh Statements of Account reflecting the number of Units redeemed, the redemption proceeds as well as the fresh balance of Units outstanding in the account, if any) will be despatched within 10 working days from the date of notice for redemption. However, endeavour shall be made to despatch redemption warrant within 5 working days from the date of notice for redemption.
  6. In any case, if the effect of the notice for redemption is to reduce the balance in the account of the investor below the minimum account balance of Rs. 1,000/-, the Mutual Fund has the right to close the account and redeem the balance holding of Units, at the prevailing NAV after 30 days from the date on which the balance in the account of the investor fell below the minimum account balance of Rs. 1,000/- unless the Unit holder responds favourably to the notice issued by the Mutual Fund to the Unit holder, in this regard. In case, the effect of the notice for redemption is to reduce the balance in the account of the investor to a debit balance, then the credit balance in the account of the investor, as on the date of notice for redemption, prior to consideration of the notice for redemption will be payable.
  7. The Trustee reserves the right, in its sole discretion, in response to unforeseen circumstances or unusual market conditions, to limit the total number of Units redeemable on any particular business day to not more than 5% of the total number of Units outstanding (Investment Option-wise) at the close of the previous business day. Any Units which, by virtue of this limitation are not redeemed on any particular business day will be carried forward to the next succeeding business day, and so on, in order of receipt.
  8. Redemption of Units may be suspended temporarily or indefinitely when any one or more of the following conditions exist:
    - The stock/ fixed income securities/ money market stops functioning or trading is restricted;
    - Periods of extreme volatility in the stock/ fixed income securities/ money market, which, in the opinion of the Asset Management Company is prejudicial to the interest of the continuing Unit holders;
    - Declaration of war or occurrence of insurrection, civil commotion, natural calamity or sustained financial, political or industrial emergency, strife or disturbance; and/ or
    - SEBI, by order so directs.
  9. No tax is required to be deducted at source from the redemption proceeds. However, for a non-resident Unit holder, tax will be deducted at source from the redemption proceeds, at the applicable rates in force, from time to time.
  10. In the case of Non-Resident Unit holders, redemption proceeds will be payable by means of a Rupee cheque payable to the Non-Resident (External)/ special Non-Resident Rupee account of the Unit holder, if any or by a Dollar draft drawn at the then prevailing exchange rates, if the Units are held on repatriable basis, subject to requisite RBI directions.
  11. Redemption warrants will be drawn in the name of the registered holder of the Units, made payable to the bank, branch and account number of the Unit holder.
  12. Redemption warrants will be despatched to the address of the sole/ first-named registered holder in the Register of Unit holders.
  13. The unclaimed redemption amount shall be deployed by the mutual fund in call money market or money market instruments only and the investors who claim these amounts during the period of 3 years from the due date shall be paid at the prevailing NAV. After a period of 3 years this amount shall 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 can be used for the purpose of investor education.



The AMC shall make a continuous effort to remind the investors through letters to take their unclaimed amounts.

Delay in payment of redemption / repurchase proceeds

The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

Accounting Policies

The Significant Accounting Policies of the Mutual Fund shall be in accordance with the Regulations, in general and the Ninth Schedule thereto, in particular. At present, the Significant Accounting Policies of the Mutual Fund, to the extent applicable to the Scheme are as follows:

1. For the purposes of the financial statements, Scheme shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealized gain arising out of appreciation on investments cannot be distributed, provision has to be made for exclusion of this item when arriving at distributable income.
2. Dividend income earned by the Scheme should be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on the stock exchange, dividend income must be recognised on the date of declaration.
3. In respect of all interest-bearing investments, income must 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 upto the date of purchase must not be treated as a cost of purchase but must be debited to interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date upto the date of sale must not be treated as an addition to sale value but must be credited to interest Recoverable Account.
4. In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method must be followed.
5. Transactions for purchase or sale of investments should be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should 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.
6. Bonus shares to which the scheme becomes entitled should be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, right entitlements should be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
7. Treatment of Non Performing Assets: When the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income/ installment fallen due:
  - After expiry of 1<sup>st</sup> quarter from the date the income has fallen due, there will be no further interest accrual on the asset.
  - On classification of the asset as NPA from the quarter past due date of interest, all interest accrued and recognized in the books of accounts of the fund till the date, should be provided for.
8. When units are sold, the difference between the sale price and the face value of the unit, if positive, should be credited to reserves and if negative is debited to reserve, the face value being credited to Capital Account Similarly, when in respect of such a scheme, units are repurchased, the difference between the purchase price and face value of the unit, if positive should be debited to reserves and, if negative, should be credited to reserves, the face value being debited to the capital account.
9. When units are sold an appropriate part of the sale proceeds should be credited to an Equalisation Account and when units are repurchased an appropriate amount should be debited to the Revenue Account. The balance on the Equalisation Account debited or credited to the Revenue Account should not decrease or increase the net income of the fund but is only an adjustment to the distributable surplus. It should therefore be reflected in the Revenue Account only after the net income of the fund is determined.
10. The cost of investments acquired or purchased should include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered should be reduced from the cost of the investment.
11. Underwriting commission should be recognized 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 should be reduced from the cost of the investment.

Further, in terms of SEBI Circular No. 18/198647/2010 dated 15.03.2010:

- a. When units of an open-ended scheme are sold, and sale price is higher than face value of the unit, part of sale proceeds that represents unrealised gains shall be credited to a separate account (Unit Premium Reserve) and shall be treated at par with unit capital and the same shall not be utilized for the determination of distributable surplus.
- b. When units of an open-ended scheme are sold, and sale price is less than face value of the unit, the difference between the sale price and face value shall be debited to distributable reserves and the dividend can be declared only when distributable reserves become positive after adjusting the amount debited to reserves as per para 2(a) (ix) of Eleventh Schedule of SEBI (Mutual Funds) Regulations.

#### Dividend Policy

1. No dividend will be declared and distributed under the Growth Option, and the distributable surplus, which thus remains wholly undistributed, would be transferred to the reserves of the Scheme attributable to the Unit holders of this Option alone.
2. Under the Dividend Option, the Trustee may decide and declare dividend at such rests, as it deems fit, after the close of the relevant period, subject to availability of distributable surplus, from time to time.
3. When dividends are declared and distributed, the reserves of the Scheme attributable to the Unit holders of this Option alone, will stand reduced by an amount equivalent to the product of the number of Units outstanding, under the Dividend Option and the dividend per Unit (including Dividend Tax plus surcharge as applicable thereon, if any).
4. Dividend will be paid by cheque favouring the registered holder of the Units and, if there is more than one registered holder, then the first-named registered holder.
5. Dividend warrants will be dispatched to the Unit holder's address in the Register of Unit holders and made payable to the bank, branch and account number of the Unit holder.
6. Dividend warrants will be dispatched, within 30 days from the date of declaration of dividend.
7. Dividend Payout of Rs. 100/- and below shall be automatically re-invested in the scheme.
8. Payment of dividend and dispatch of dividend warrants to Non-Resident Unit holders / FIIs will be subject to obtaining requisite RBI directions from time to time.
9. The Trustee may introduce Electronic Clearing Service (ECS), at a later date to obviate the need for issuing and handling paper instruments such as dividend warrants and thereby facilitate improved investor service, for which purpose a separate communication will be sent to all eligible Unit holders at the appropriate time.
10. The unclaimed dividend amount shall be deployed by the mutual fund in call money market or money market instruments only and the investors who claim these amounts during the period of 3 years from the due date shall be paid at the prevailing NAV. After a period of 3 years this amount shall 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 funds can be used for the purpose of investor education.

#### Who can invest?

This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.

The following persons/ entities (subject, wherever relevant to purchase of Units of Mutual Funds being permitted under relevant statutory regulations and their respective constitutions, wherever applicable) may apply for subscription to Units under the Scheme :

1. Resident adult individuals, either singly or jointly (not exceeding three)
2. Minors through their parents/ legal guardians;
3. Hindu Undivided Family ('HUF'), in the name of karta;
4. Sole Proprietors, Partners of (Partnership) Firms and Association of Persons or Body of Individuals;
5. Bodies corporate/ Companies registered in India;
6. Banks (including Co-operative and Regional Rural Banks) and financial institutions;
7. Religious and Charitable (public) and private Trusts authorised to invest in such Units;
8. Registered societies and Co-operative societies authorised to invest in such Units;
9. Provident/ Pension/ Gratuity/ Superannuation and such other Funds as and when permitted to invest.
10. Army/ Air Force/ Navy and other para-military Funds and eligible institutions;
11. Scientific and/ or industrial research organisations authorised to invest in such Units;
12. Other associations, institutions, bodies etc. authorised to invest in such Units;
13. Non-Resident Indians and persons of Indian origin residing abroad (collectively 'NRIs');

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14. Foreign Institutional Investors ("FIIs") registered with SEBI;
15. Multilateral agencies approved by the Government of India can apply subject to obtaining Reserve Bank of India ("RBI") approval; and
16. Other Mutual Funds and Schemes of Escorts Mutual Fund.

Investments in Units under the scheme by religious and charitable trusts will rank as an eligible investment under Section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962. Eligible institutions such as those covered under section 11 and 10(23C) of the Act, investing in Units under the scheme would therefore continue to qualify for exemption, in respect of income therefrom under the applicable sections of the Act.

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000, RBI as amended vide FEMA Notification No. 101 dated October 3, 2003 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 also have the option to make their investment on a non-repatriable basis.

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 repatriation basis, units of domestic mutual funds. 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.

### Where can you submit the filled up applications

Escorts Asset Management Limited  
Admn. Office – 404 – 1A, World Trade Centre,  
Babar Road, New Delhi – 110001.  
Ph. No. – 011-43587500, 43587510  
Website: www.escortsmutual.com

Official points of acceptance, collecting banker details etc. (appearing on back cover page).

### How to Apply

Please refer to the SAI and Application form for the instructions.

No receipt will be issued for the application. However, the Acknowledgement Slip, at the bottom of the application, duly initialled/ stamped by collecting branches of the bankers to the New Fund Offer shall be issued to the investor for future reference. All communication in respect of the application should be sent to the Asset Management Company quoting the full name of the investor, application serial number, number of Units applied for, date on which and name of the collecting branch of the bankers to the New Fund Offer.

### Mode of Payment:-

- For application(s) from Resident investors payment should be made either by cash or by local cheque/ demand draft drawn in favour of "ESCORTS MUTUAL FUND – A/C ESCORTS INFRASTRUCTURE FUND", crossed "A/c payee only" and made payable locally after deducting bank charges / commission and drawn on any bank branch which is a member of Bankers Clearing House located in the centre where the application is lodged. Bank charges for outstation demand drafts will be borne by the AMC during New Fund Offer Period. Stockinvests, outstation cheques, post-dated cheques, postal orders or money orders will not be accepted. In case of payment by cheque/ demand draft, a separate cheque/ demand draft must accompany each application.
- For application(s) from NRIs, in case of purchase of units on repatriation basis, payment shall be made either by inward remittance through normal banking channels or out of the funds held in his

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Non-Resident (External) Account / FCNR Account. In case of purchase of units on non repatriation basis, payment shall be made either by inward remittance through normal banking channels or out of the funds held in his Non-Resident (External) Account / FCNR Account / Non Resident Ordinary Account / NRRN Account. All cheques/ demand drafts should be drawn in favour of "ESCORTS MUTUAL FUND – A/C ESCORTS INFRASTRUCTURE FUND – NRI". Payment in the form of foreign exchange/ Dollar drafts may result in subscription to fractional Units. Applicable Exchange Rate shall be that prevailing on the date of remittance of dividend / redemption.

- Cheque/ demand draft accompanying the application, if any should contain the application serial number on its reverse.
- Bank Mandate Registration as part of new folio creation - In accordance with the AMFI Best Practice Guideline Circular No. 17/2010-11 dated October 22, 2010 and Circular No. 39/ 2013-14 dated August 23, 2013 and to reduce operational risk, Investor(s) are requested to note that any one of the following documents shall be required to submit as a proof of Bank Account Details (for Redemption/Dividend), in case the cheque provided along with fresh subscription/new folio creation does not belong to the Bank Account Details specified in the application form for redemption / dividend payments w.e.f. March 1, 2014 :
  - a) Cancelled original cheque of the Bank Account Details with first unit holder name and bank account number printed on the face of the cheque; (or)
  - b) Self attested copy of bank statement with current entries not older than 3 months; (or)
  - c) Self attested copy of bank passbook with current entries not older than 3 months; (or)
  - d) Bank Letter duly signed by branch manager/authorized personnel.

### **Person not eligible to subscribe for units in the Schemes of Escorts Mutual Fund and Provisions relating to FATCA**

- I. On account of limitations / restrictions imposed by jurisdictional laws / regulations with respect to marketing or offering of units of Schemes of the Fund, the persons stated under the below provision titled 'Who Cannot Invest?' shall not be eligible to invest in the Schemes of the Fund.

#### **'Who cannot invest?'**

- (i) United States Person (U.S. person\*) as defined under the extant laws of the United States of America;
- (ii) Residents of Canada;
- (iii) NRIs residing in any Financial Action Task Force (FATF) declared non-compliant country or territory

\*The term "U.S. person" means any person that is a U.S. person within the meaning of Regulation S under the Securities Act of 1933 of U.S. or as defined by the U.S. Commodity Futures Trading Commission or as per such further amended definitions, interpretations, legislations, rules etc, as may be in force from time to time."

In view of the above, the said persons will not be permitted to undertake the following transactions in the units of any of the Schemes of the Fund with immediate effect :

- a. Fresh purchases / additional purchases / switches in any Schemes of the Fund. However, existing Unit holder(s) are permitted to redeem the units from the Schemes of the Fund.
- b. If the said persons have opted for reinvestment of dividend, the dividend will be paid out to them.
- c. For existing Unit holder subsequently becoming a U.S. person or Resident of Canada, fresh purchases / additional purchases / switches in any Schemes of the Fund will not be permitted.
- d. All existing registered systematic investment facilities such as Systematic Investment Plan (SIP), Systematic Transfer Plan (STP), Dividend Transfer Facility, Systematic Withdrawal Plan (SWP) would be ceased. However, existing SIP transactions falling due upto 10 days from the Effective Date will be processed.
- e. For transactions undertaken after the Effective Date, in case the Fund / EAML identifies that the subscription amount has been received from the said persons, EAML / Fund at its discretion shall redeem all the units held by such person from the Scheme at applicable Net Asset Value.

### **II. Foreign Account Tax Compliance (FATCA)**

In order to comply with the requirement of Foreign Account Tax Compliance Act provisions (commonly known as FATCA) as contained in the US Hire Act 2010, Escorts Asset Management

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Limited (EAML) is required to collect information about investor's tax residency. Under the FATCA regime, the EAML would be required to collect information/ certification from the investors as per the US indicia, report information on the holdings or investment returns of any investor to the US authorities and/or apply withholding tax on payments to investors who fail to provide the information and/or documents required under FATCA. Applications that do not provide the necessary information/certifications are liable to be rejected. Subject to the execution of appropriate Inter-Governmental Agreement (IGA) between Governments of India and United States of America, the FATCA requirements mentioned in this addendum may change.

Please Note : - With a fresh investment into scheme(s) of Escorts Mutual Fund, a declaration form confirming the status against a list of US indicia's shall be required. The indicia's are to identify a United States Person as defined under the Laws of the United States of America. Investors may download the FATCA declaration form from our website or approach any of the official point of acceptance of transactions. The same will also form a part of the KIM Documents.

Please note, the contents of the declaration may undergo a change on receipt of any communication from AMFI/SEBI.

The absence of these completed documentations may prevent us from accepting the investment and may require us to redeem the existing investments in case the same is mandated by AMFI/SEBI. We may also be required to report information relating to the investors' folios to the authority established by the Government of India.

**When will you be required to submit the above documents?**

- At the time of making a fresh investment (opening a new folio) with EMF
- In case of any change in the information provided by the investor
- When EMF is required to refresh the documentation/information held for the investors folio(s) and possibly request further documentation as necessary.

Investors can get more details on FATCA requirements at:

<http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>.

**Mandatory Information**

**As per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications and therefore, investors are requested to fill-up the appropriate box in the application form failing which applications are liable to be rejected. It is mandatory for all investors (including joint holders, NRIs, POA holders and guardians in the case of minors) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the AML Laws. Applications without such documents and information may be rejected.**

In terms of SEBI circulars dated April 27, 2007, April 03, 2008 and June 30, 2008 read with SEBI letter dated June 25, 2007, Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-pension. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy (along with the original for verification which will be returned across the counter). **All investments without PAN (for all holders, including Guardians) are liable to be rejected.** All investments in Escorts Mutual Fund need to comply with the PAN and KYC requirements as noted above. Where the investor has lodged the Unit Certificate(s) for transfer with the AMC/Registrar, the transferee(s) would be bound to furnish the above stated mandatory information of the bank account details, PAN and KYC information. Transfer requests lodged without such mandatory information are **liable to be rejected.**

**Non acceptance of Third Party Cheques**

Third Party Cheques will not be accepted by the Scheme.

**Definition of Third Party Cheques**

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- Where payment is made through instruments issued from an account other than that of the beneficiary investor, the same is referred to as Third-Party payment.
  - In case of a payment from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made. If this criterion is not fulfilled, then this is also construed to be a third party payment.  
However, afore-mentioned clause of investment with Third-Party Payment shall not be applicable for the below mentioned exceptional cases.
- a. 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 Rs.50,000/- (each regular purchase or per SIP installment)
  - b. Payment by Employer on behalf of employee under Systematic Investment Plans through Payroll deductions.
  - c. Custodian on behalf of an FII or a client.
- For pre funded instruments such as DD/Pay order it is the onus of the investor to provided adequate supporting documents to prove that such instruments are issued by debiting the first holders account.  
Escorts Asset Management Ltd. / Trustee retains the sole and absolute discretion to reject/ not process application and refund subscription money if the subscription does not comply with the specified provisions of Payment Instruments.

**Transaction Charges**

SEBI with the intent to enable investment by people with small saving potential and to increase reach of Mutual Fund products in urban areas and in smaller towns, wherein the role of the distributor is vital, has allowed AMCs vide its circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011 to deduct transaction charges for subscription of R 10,000/- and above. The said transaction charges will be paid to the distributors of the Mutual Fund products. In accordance with the said circular, AMC / Mutual Fund will deduct the transaction charges from the subscription amount and pay to the distributors (who have opted to receive the transaction charges) as shown in the table below. Thereafter, the balance of the subscription amount shall be invested.

- (i) Transaction charges shall be deducted for Applications for purchase/ subscription received through distributor/ agent as under:

Investor Type	Transaction Charges
First Time Mutual Fund Investor	Transaction charge of Rs. 150/- for subscription of Rs. 10,000 and above will be deducted from the subscription amount and paid to the distributor/ agent of the first time investor. The balance of the subscription amount shall be invested.
Investor other than First Time Mutual Fund Investor	Transaction charge of Rs. 100/- per subscription of Rs. 10,000 and above will be deducted from the subscription amount and paid to the distributor/ agent of the investor. The balance of the subscription amount shall be invested.

However, transaction charges in case of investments through SIP shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to Rs. 10,000/- or more. The transaction charges shall be deducted in 3-4 installments.

Identification of investors as "first time" or "existing" will be based on Permanent Account Number (PAN) at the First/ Sole Applicant/ Guardian level. Hence, Unit holders are urged to ensure that their PAN / KYC is updated with the Fund. Unit holders may approach any of the Official Points of Acceptances of the Fund i.e. Investor Service Centres (ISCs) of the Fund/ Head Office in this regard.

- (ii) It may be noted that Transaction Charges shall not be deducted:
  - (a) where the distributor of the investor has not opted to receive any Transaction Charges;
  - (b) for purchases / subscriptions/ total commitment amount in case of SIP of an amount less than R 10,000/-;
  - (c) for transactions other than purchases / subscriptions relating to new inflows i.e. through Switches/ Systematic Transfers/ Dividend Transfers/ Dividend Reinvestment, etc.;
  - (d) for purchases / subscriptions made directly with the Fund (i.e. not through any distributor);
  - (e) for purchases / subscriptions routed through Stock Exchange(s) as applicable.

**Bank Details**

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In order to protect the interest of Unit holders from fraudulent encashment of redemption / dividend cheques, SEBI has made it mandatory for investors to provide their bank details viz. name of bank, branch, address, account type and number, etc. to the Mutual Fund. Payment will be made only in the Bank Account registered with the Mutual Fund. Applications without complete bank details shall be rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques / warrants and / or any delay / loss in transit. In case Unit holder has not provided the bank details at the time of making investment (pertains to the period when bank details were not mandatory), redemption requests should be submitted along with the following documents:

1. Any one of the following documents:
  - a. Cancelled original cheque leaf (where first Unit holder name and bank account number printed on the face of the cheque). Unit holders should without fail cancel the cheque and write 'Cancelled' on the face of it to prevent any possible misuse;
  - b. Self attested copy of the bank pass book or a statement of bank account with current entries not older than 3 months having the name and address of the first unit holder and account number;
  - c. Letter from the bank on its letterhead certifying that the Unit holder maintains/ maintained an account with the bank, the bank account information like bank account number, bank branch, account type, the MICR code of the branch & IFSC Code (where available) and specimen signature of the Unit holder.  
and
2. Self attested copy of any one of the documents admissible as Proof of Identity (PoI) as may be prescribed by SEBI from time to time.

Note: The above documents shall be submitted in Original.

If copies are furnished, the same must be submitted at the Investor Service Centres of AMC (ISCs) where they will be verified with the original documents to the satisfaction of the Fund. The original documents will be returned across the counter to the Unit holder after due verification. In case the original of any document is not produced for verification, then the copies should be attested by the bank manager with his / her full signature, name, employee code, bank seal and contact number.

In case of folios held on behalf of minors, when a minor attains the age of majority, the documents pertaining to the major investor's bank details registration must be submitted to the Fund.

- Multiple Bank Accounts Registration The AMC/ Mutual Fund provides a facility to the investors to register multiple bank accounts (currently upto 5 for Individuals and 10 for Non - Individuals) for receiving redemption/ dividend proceeds etc. by providing necessary documents. Investors must specify any one account as the "Default Bank Account". The investor, may however, specify any other registered bank account for credit of redemption proceeds at the time of requesting for redemption.

Investors holding units in non-demat form are requested to avail the facility of registering multiple bank accounts by filling in the 'Multiple Bank Accounts Registration Form' available at our Investor Service Centres (ISCs).

- Change in Bank Account - For investors holding units in demat mode, the procedure for change in bank details would be as determined by the depository participant.

For investors holding units in non-demat mode, the Unit holders may change their bank details registered with the Mutual Fund by submitting 'Multiple Bank Account Registration Form' or a standalone separate Change of Bank Details Form.

In case a 'Change of Bank Details Form' is submitted, the following procedure needs to be adhered to:

1. Unit holders will be required to submit the duly filled in Change of Bank Details Form along with a cancelled original cheque leaf of the new bank account as well as the bank account currently registered with the Mutual Fund (where the account number and first unit holder name is printed on the face of the cheque). Unit holders should without fail cancel the cheque and write 'Cancelled' on the face of it to prevent any possible misuse.
2. Where such name is not printed on the original cheque, the Unit holder may submit a letter from the bank on its letterhead certifying that the Unit holder maintains/ maintained an account with the bank, the bank account information like bank account number, bank branch, account type, the MICR code of the branch & IFSC Code (where available).
3. In case of non-availability of any of these documents, a self attested copy of the bank pass book or a statement of bank account with current entries not older than 3 months having the name and address of the first unit holder and account number.

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Note: The above documents shall be submitted in Original.

If copies are furnished, the same must be submitted at the ISCs where they will be verified with the original documents to the satisfaction of the Fund. The original documents will be returned across the counter to the Unit holder after due verification. In case the original of any document is not produced for verification, then the copies should be attested by the bank manager with his / her full signature, name, employee code, bank seal and contact number.

In the event of a request for change in bank account information being invalid / incomplete / not satisfactory in respect of signature mismatch/document insufficiency/ not meeting any requirements more specifically as indicated in clauses 1-3 above, the request for such change will not be processed. Redemptions / dividend payments, if any, will be processed and the last registered bank account information will be used for such payments to Unit holders. Unit holders may note that it is desirable to submit their requests for change in bank details atleast 7 days prior to date of redemption / dividend payment, if any and ensure that the request for change in bank details has been processed before submitting the redemption request. If change in bank details has not been processed, payment will be made in the existing bank account registered in the folio. Further, in the event of a request for redemption of units being received within seven days of change in bank account details, the normal processing time as specified in the Scheme Information Document, may not necessarily apply, however it shall be within the regulatory limits. Any unregistered bank account or a new bank account mentioned by the Unit holder along with the redemption request may not be considered for payment of redemption /dividend proceeds.

### Change of Address

- 1) For investors holding units in demat mode, the procedure for change in address would be as determined by the depository participant.
- 2) For investors holding units in non-demat mode, the procedure as detailed below shall be applicable. Unit holder will be required to submit a valid request for change in address details along with the following supporting documents:
  - KYC Not Complied Folios/Clients:
  - Self attested copy of Proof of New Address; and
  - Self attested copy of PAN card copy, if PAN is updated in the folio or PAN/other proof of identity as may be prescribed by SEBI from time to time, if PAN is not updated in the folio.
  - KYC Complied Folios/Clients:
  - Self attested copy of Proof of New Address; and
  - Any other document/form that the KYC Registration Agency (KRA) may specify from time to time.

The above documents will be forwarded to KRA for updation in their record.

Note: The above documents shall be submitted in Original. If copies are furnished, the same must be submitted at the ISCs where they will be verified with the original documents to the satisfaction of the Fund. The original documents will be returned across the counter to the Unit holder after due verification. In case the original of any document is not produced for verification, then the copies should be properly attested / verified by entities authorized for attesting/verification of the documents as per extant KYC guidelines.

Unit holders are advised to provide their contact details like telephone numbers, mobile numbers and email IDs to Escorts Mutual Fund in writing. The AMC / Trustee reserves the right to amend the aforesaid requirements.

### Payment to Alternate Payee

The Mutual Fund may subject to compliance with such requirement as it deems fit and necessary may stipulate, arrange to issue redemption and / or any distribution cheques in favour of an alternate payee on Unitholder(s) specific request either at the time of investment and /or at the time of redemption or any distribution. Reasonable procedures will need to be followed to assure that instructions from Unitholders regarding payment to Alternate Payee are genuine. The Unitholder(s) would be liable for the loss resulting from a fraudulent encashment / payment to Alternate Payee, based on the Unitholders instructions that the Mutual Fund reasonably believed as genuine. The Mutual Fund, reserves the right to require an indemnity or verification countersigned by a Bank Manager, Notary Public, Magistrate or any other party acceptable to it before accepting such instructions. All payments and settlements made to such Alternate Payee(s) and a receipt thereof shall be a valid discharge by the Mutual Fund and the Mutual Fund shall not in any manner liable to the Unitholder. It may be noted that there is no commitment from the Mutual Fund that this facility will be available to the Unitholders.

### Rejection of Applications:-

The following kinds of Applications are liable to be rejected:

1. Incomplete or incorrectly filled Applications and/or those not accompanied by the subscription amount or otherwise found invalid;



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2. Applications under Power of Attorney for which the requisite documents are not submitted within the time period stipulated in this regards Applications accompanied by cheques / demand drafts that have been dishonoured / returned unpaid;
3. The Trustee reserves the sole and absolute right to accept or reject applications, in whole or in part, without assigning any reason therefor. The decision of the Trustee in this regard shall be absolute and final.

### Lien on Units:-

A lien on Units allotted will be created, and such Units shall not be available for redemption until the payment proceeds are realised by the Fund. In case a unitholder redeems Units soon after making purchases, the redemption cheque will not be despatched until sufficient time has elapsed to provide reasonable assurance that cheques or drafts for Units purchased have been cleared. In case the cheque / draft is dishonoured by the bank, the transaction shall be reversed and the Units allotted earlier shall be cancelled, and a fresh Account Statement / Confirmation slip shall be despatched to the Unitholder.

For non-individuals and NRIs, the Fund may mark a lien on Units in case documents, which need to be submitted, are not given in addition to the application form and before the submission of the redemption request.

However, the Fund reserves the right to change operational guidelines for lien on Units from time to time.

### Pledge of Units:-

The Units under the Scheme may be offered by a Unitholder as security by way of pledge in favour of a scheduled bank, financial institution or any other body, all specifically approved by the Fund for this purpose. Upon a specific authorisation request made by a Unitholder and upon completing necessary formalities by the Unitholder, the Fund will instruct the Registrar to mark a lien for a specific period on the Units standing to the credit of the Unitholders account. However, the disbursement of such loans will be at the entire discretion of the concerned bank/ financial institution/ any other body and the Mutual Fund assumes no responsibility thereof. If by enforcing the pledge /charge, the scheduled bank/ financial institution any other approved body seeks to transfer the Units and or have them registered in its name, then the AMC shall comply with the request, if the necessary documentary evidence is made available. No pledge or charge shall be recognised by the AMC unless it is registered with the Registrar and the acknowledgement has been received. However, Escorts Asset Management Ltd. reserves the right to change operational guidelines for pledge on Units, from time to time.

### Listing

Since, no transfer of Units under the Scheme is contemplated, in normal circumstances, listing of the Units under the Scheme on a recognized Stock Exchange is not contemplated. However, the Trustee, with due regard to the prevalent circumstances, from time to time may decide, to list the Units under the Scheme, investment Option-wise on any one or more recognised Stock Exchange(s).

### Special Products

1. Systematic Investment Plan -
  - The investors can enroll themselves for systematic investment Plan (SIP) by ticking the appropriate box on the application, during the New Fund Offer Period or the application for purchase, on an on-going basis. In the former case, the Asset Management Company will contact the investor for participation in SIP, subsequent to the Commencement of the Scheme.
  - The investor can choose to invest a minimum of Rs. 500/- on a monthly or Rs. 1,500/- on a quarterly basis, subject to minimum of Rs. 5,000 per annum by enclosing, along with their application for purchase sufficient number of post-dated cheques (monthly or quarterly), for a continuous period of at least one year.
  - The Board of Trustees/AMC reserve the right to alter/vary the terms of SIP.
2. Dividend Re-investment Plan -
  - Unit holders, under the Dividend Option may choose to re-invest the whole or a part of their dividend income (subject to a minimum of Rs. 1,000/- in additional units of the Scheme instead of receiving the same in cash under DRIP).
  - The dividend due and payable to the Unitholder will be automatically reinvested at the first ex-dividend NAV prevailing after the dividend declaration.

## C. PERIODIC DISCLOSURES

**ESCORTS INFRASTRUCTURE FUND**

<p>Net Asset Value</p> <p>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall declare the Net asset value of the scheme on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 P.M. and also on their website.</p> <p>In case of open ended schemes, the NAV shall be calculated for all business days and released to the Press.</p>
<p>Monthly Portfolio Disclosure</p>	<p>The Mutual Fund shall disclose portfolio of the Scheme as on the last day of each month on its website on or before the tenth day of the succeeding month in the prescribed format.</p>
<p>Half yearly Disclosures: Portfolio / Financial Results</p> <p>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures.</p>	<p>The mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31<sup>st</sup> March and 30<sup>th</sup> September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.</p> <p>The mutual fund may opt to send the portfolio to all unit holders in lieu of the advertisement (if applicable).</p>
<p>Half Yearly Results</p>	<p>The mutual fund and Asset Management Company shall before the expiry of one month from the close of each half year that is on 31<sup>st</sup> March and on 30<sup>th</sup> September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated.</p>
<p>Annual Report</p>	<p>Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year i.e. 31<sup>st</sup> March each year.</p>
<p>Associate Transactions</p>	<p>Please refer to Statement of Additional Information (SAI).</p>

**Taxation of income earned on mutual fund units under the Income Tax Act, 1961**

<p>Taxation The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/ authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes. For further details on taxation please refer to the clause on Taxation in the SAI</p>	
<p>Equity Fund: Tax on Dividend</p>	<p>Escorts Mutual Fund is a Mutual Fund registered with SEBI and as such is eligible for benefits under section 10 (23D) of the Income Tax Act, 1961 (the Act) to have its entire income exempt from income tax. The Mutual Fund will receive income without any deduction of tax at source under the provisions of Section 196(iv) of the Act.</p> <p>As per the section 10(35) of the Act, dividend received by investors under the schemes of Escorts MF is exempt from income tax in the hands of the recipient unit holders.</p> <p>By virtue of proviso to section 115(R) (2) of the Act, equity oriented schemes are exempt from income distribution tax.</p>
<p>Capital Gains:  i) Long Term Capital Gains</p>	<p>Units held for more than twelve months preceding the date of their transfer are long term capital asset.</p> <p>As per section 10(38) of the Act, any income arising from the transfer of a long term capital asset being a unit of an Equity Oriented Scheme chargeable to securities transaction tax (STT) shall not form part of total income, therefore, exempt from Income Tax. As per section 10(38) of the Act, equity oriented fund means a fund where the investible funds are invested by way of equity share in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund and which has been set up under a scheme of a mutual fund specified under section 10(23D) of the Act.</p> <p>Units held for not more than twelve months preceding the date of their</p>

**ESCORTS INFRASTRUCTURE FUND**

<p>ii) Short term capital gains</p> <p>Securities Transaction Tax</p>	<p>transfer are short term capital asset. Capital gains arising from the transfer of short term capital assets being unit of an equity oriented scheme which is chargeable to STT is liable to income tax @ 15% under section 111 A and section 115 AD of the Act. The said tax rate is increased by surcharge, if applicable.</p> <p>Transactions in units of Equity oriented scheme also attract Securities Transaction Tax (STT) at applicable rates.</p>
<p>Tax benefits under section 80C</p>	<p>Contribution made will be eligible for deduction of the whole amount paid or deposited subject to a maximum of 1,50,000/- under Section 80C of Income Tax Act, 1961 for the persons and on the terms and conditions as provided therein.</p>

**For further details on taxation please refer to the clause on Taxation in the Statement of Additional Information.**

<p>Investor services</p>	<p>Registrar Services &amp; Investor Service Department Escorts Asset Management Limited Admn. Office – 404 – 1A, World Trade Centre, Babar Road, New Delhi – 110001. Ph. No. – 011-43587500, 43587510 Website : <a href="http://www.escortsmutual.com">www.escortsmutual.com</a></p>
<p>For Demat Units</p>	<p>M/s Skyline Financial Services Pvt. Ltd. D-153A, 1st Floor, Okhla Industrial Area, Phase – I, New Delhi - 110020. Tel : 011-64732681 to 64732688 Fax : 011-30857562 <a href="http://www.skylinerta.com">www.skylinerta.com</a> <a href="mailto:viren@skylinerta.com">viren@skylinerta.com</a></p>

**D. COMPUTATION OF NAV**

NAV is the actual value of a Unit issued under the Scheme, on the valuation day and is computed as follows:

<p><b>Market/Fair value of investments + receivables + accrued income + other current assets - payables - accrued expenses - other current liabilities and provisions</b></p> <hr/> <p><b>Number of Units outstanding</b></p>
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NAV of the Units issued under the Scheme shall be disclosed for each business day from Monday to Friday (excluding Saturday and Sunday and any holiday declared under the Negotiable Instruments Act, 1882 at New Delhi) and subject to audit on an annual basis. Units under each Investment Option will have a separate NAV, after the first dividend distribution. NAV shall be published atleast in two daily newspapers on daily basis. The NAV shall be rounded off upto two decimal places.

**IV. FEES AND EXPENSES**

**A. NEW FUND OFFER (NFO) EXPENSES**

In terms of SEBI Circular No. SEBI/IMD/CIR No.1/64057/06 dated 04.04.2006 no initial issue expenses are permitted for open ended schemes. The scheme would meet the sales, marketing and other such expenses connected with sales and distribution of the scheme from the entry load and not through initial issue expenses.

**B. ANNUAL SCHEME RECURRING EXPENSES**

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that upto 2.50% of the weekly average net assets of the scheme will be charged to the scheme as expenses.

For the information of investors, the estimated break-up of expenses, on an on-going basis, as a percentage of the weekly average net assets, in any financial year shall be as follows:

<b>Expenses</b>	<b>% of daily net assets</b>
Investment Management and Advisory Fee	Upto 2.50%
Custodian's Fee and charges	
Investor Service & Communication Expenses	
Trustee Fee	
Audit Fee	
Marketing and Selling Expenses (including Brokerage)	
Cost related to investor communications	
Cost of fund transfer from location to location	
Cost of providing account statements and dividend redemption cheques and warrants	
Costs of statutory Advertisements	
Cost towards investor education & awareness (at least 2 bps)	
Brokerage & transaction cost over and above 12 bps and 5 bps for cash and derivative market trades resp.	
Service tax on expenses other than investment and advisory fees	
Service tax on brokerage and transaction cost	
Other Expenses as permitted by SEBI Regulations	
Maximum total expense ratio (TER) permissible under Regulation 52 (6) (c) (i) and (6) (a)	2.50%
Additional expenses under Regulation 52 (6A) (c)	0.20%
Additional expenses for gross new inflows from specified cities	0.30%

Note: The total annual recurring expenses of the Direct Plan shall be 0.05 % less than that stated above i.e. to the extent of the distribution expenses/ commission charged to the investors who are not in the Direct Plan.

The above break-up of on-going expenses has been estimated 'in good faith', on the basis of information available to the Asset Management Company and are subject to change inter se amongst eligible expenses, as per actuals. Further, these estimates are based on the Scheme's weekly average net assets being Rs. 100 Crores, respectively. In case, the Scheme's weekly average net asset is higher or lower, these estimates would require revision. Further, common expenses of the Mutual Fund, such as Trustee Fee, Audit Fee etc, shall be borne by each of the Scheme (s) of the Mutual Fund, in operation from time to time, pro rata on the net asset (s) of the Scheme(s) and proportionate to the period of operation of the Scheme(s). Any ongoing expense which is not specifically mentioned above and /or not approved by SEBI will not be charged to the scheme. Such other expenses which are directly attributable to the scheme may be charged with the approval of the trustee within the overall limit as specified in Regulation 52(6).

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Mutual Funds/ AMCs will annually set apart at least 2 basis points on daily net assets within the maximum limit as per regulation 52 of the SEBI Regulations for investor education and awareness initiatives.

Service tax on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under regulation 52 of the SEBI Regulations. Commission/ Distribution expenses will not be charged in case of Direct Plan. Accordingly, considering the current market situations, it is estimated investors in "Direct Plan - Growth Plan" and "Direct Plan - Dividend Plan" shall be charged at least 2% (annualized) less expense ratio vis-à-vis the "Growth Plan" and "Dividend Plan". Therefore, if the TER of the Regular Plan were, say, 2.25%, the TER of the Direct Plan would at least be different by 2% of 2.25%, i.e., 4.5 Bps.

The investment Management Fee charged by the AMC for managing unclaimed amounts of dividend/redemption shall not exceed 50 basis points.

The total expenses of the Scheme excluding issue or redemption expenses but including the investment management and advisory fee shall be subject to the following limits:

- i) On the first Rs. 100 Crores of the average weekly net assets 2.50%
- ii) On the next Rs. 300 Crores of the average weekly net assets 2.25%
- iii) On the next Rs. 300 Crores of the average weekly net assets 2.00%
- iv) On the balance of the assets 1.75%

In addition to the limits specified in regulation 52(6), the following costs or expenses may be charged to the scheme as per new sub regulation 6A, namely-

- (a) Brokerage and Transaction costs incurred for the execution of trades may be capitalized to the extent of 0.12 per cent of the value of trades in case of cash market transactions and 0.05 per cent of the value of trades in case of derivatives transactions. Any payment towards brokerage and transaction costs incurred for the execution of trades, over and above the said 0.12 per cent and 0.05 per cent for cash market transactions and derivatives transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under Regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Any expenditure in excess of the said prescribed limit (including brokerage and transaction costs, if any) shall be borne by the AMC or by the Trustee or Sponsors.;
- (b) expenses not exceeding of 0.30 per cent of daily net assets, if the new inflows from such cities as specified by the Board from time to time are at least -
  - (i) 30 per cent of gross new inflows in the scheme, or;
  - (ii) 15 per cent of the average assets under management (year to date) of the scheme, whichever is higher:  
Provided that if inflows from such cities is less than the higher of sub-clause (i) or sub-clause (ii), such expenses on daily net assets of the scheme shall be charged on proportionate basis:  
Provided further that expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities.  
Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment;
- (c) additional expenses, incurred towards different heads mentioned under sub-regulations (2) and (4), not exceeding 0.20 per cent of daily net assets of the scheme.

The Fund will strive to reduce the level of these expenses so as to keep them well within the maximum limits allowed by SEBI. Expenses on an ongoing basis will not exceed the following percentage of the daily net assets or such maximum limits as may be specified by SEBI Regulations from time to time. The recurring expenses incurred in excess of the limits specified by SEBI (MF) Regulations will be borne by the AMC or by the Trustee or the Sponsor.

**C. LOAD STRUCTURE**

Load is an amount, which is paid by the investor to subscribe to the units or to redeem the units from the scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC ([www.escortsmutual.com](http://www.escortsmutual.com)) or may call at (toll free no.) or your distributor.

Type of Load	Load chargeable (as % of NAV)
<b>Entry</b>	Nil
<b>Exit</b>	1% if amount withdrawn upto 1 year from the date of allotment.

Bonus units and units issued on reinvestment of dividends shall not be subject to entry and exit load.

All loads including Contingent Deferred Sales Charge (CDSC) for the Scheme shall be maintained in a separate account and may be utilised towards meeting the selling and distribution expenses. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

The investor is requested to check the prevailing load structure of the scheme before investing.

For any change in load structure AMC will issue an addendum and display it on the website/Investor Service Centres.

The Asset Management Company and the Trustees reserves the right to introduce, modify / change Entry load, Exit load / CDSC and / or switchover load if it so deems fit in the interest of smooth and efficient functioning of the Mutual Fund, subject to a maximum as prescribed under the Regulations with prospective effect. In case of an exit / repurchase load this may be linked to the period of holding. The Asset Management Company may charge a load for switch of units between the various plans of the scheme and this load may be different from the Sales load charged for sale of new units. The load charged could also be different for different plans of the scheme(s) at the same time.

Loads, when levied, shall be charged as a percentage of Net Asset Value (NAV) i.e. applicable load as a percentage of NAV will be added to NAV to calculate sale price and will be subtracted from NAV to calculate repurchase price. In other words, the following formulae shall be used:

Any imposition or enhancement of load in future shall be applicable on prospective investments only. However, AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well as prospective investors.

At the time of change in the load structure the AMC may take following measures:

- The addendum detailing the changes may be attached to Scheme Information Documents and Key Information Memorandum. The addendum may be circulated to all the distributors / brokers so that the same can be attached to all Scheme Information Documents and Key Information Memoranda already in stock.
- Arrangements may be made to display the addendum in the Scheme Information Documents in the form of a notice to all the investors service centers and distributors / broker office.
- The introduction of exit load / CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load / CDSC.
- A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.
- Any other measures which the mutual fund may feel necessary.

**Total Expense ratio (TER) and Additional Total Expenses:**

- (i) Charging of additional expenses based on new inflows from beyond 15 cities :
  1. Mutual Funds may charge Additional TER up to 30 bps on daily net assets of the scheme if the new inflows from beyond top 15 cities (as per SEBI Regulations/Circulars/AMFI data) are at least (a) 30% of gross new inflows in the scheme or (b) 15% of the Average Assets under Management (AAUM) (year to date) of the scheme, whichever is higher. The additional TER on account of inflows from beyond top 15 cities so charged shall be clawed back in case the same is redeemed within a period of 1 year from the date of investment. The same can be used only for distribution expenses on account of new inflows from beyond top 15 cities.

**ESCORTS INFRASTRUCTURE FUND**

2. In case inflows from beyond top 15 cities is less than the higher of (a) or (b) above, additional TER on daily net assets of the scheme shall be charged as follows:

Daily net assets X 30 basis points X New inflows from beyond top 15 cities

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365\* X Higher of (a) or (b) above

\* 366, wherever applicable.

3. The 'AMC fees' charged to the scheme with no sub-limits will be within the TER as prescribed by SEBI Regulations.

(ii) Service Tax :

1. Escorts Asset Management Ltd. shall charge service tax on investment and advisory fees to the scheme in addition to the maximum limit of TER.
2. Service Tax on other than investment and advisory fees, if any, shall be borne by the scheme within the maximum limit of TER.
3. Service Tax on brokerage and transaction cost paid for asset purchases, if any, shall be within the limit prescribed under SEBI Regulations. As per the current SEBI Regulations, the brokerage and transaction costs which are incurred for the purpose of execution of trade and included in the cost of investment shall not exceed 12 bps in case of cash market transactions. Any payment towards brokerage and transaction cost, over and above the said 12 bps for cash market transactions may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Any expenditure in excess of the said prescribed limit shall be borne by the AMC or by the trustee or sponsors.

(iii) Investor Education and Awareness : Escorts Mutual Fund shall annually set apart atleast 2 bps on daily net assets within the maximum limit of TER for investor education and awareness initiatives.

(iv) Illustration of impact of expense ratio on scheme's returns here-in-below is simple illustration to describe the impact of the expense charged on the returns of the scheme. As per SEBI Regulation expenses are charged to the scheme on daily basis on daily net assets and as per percentage limits specified by SEBI.

i	Amount invested (Rs.) Opening NAV	100
ii	Gross returns - assumed	10%
iii	Closing NAV before expenses (Rs.)	110
iv	Expenses(Rs.)	1.50
v	Total NAV after charging expenses (C-D)	108.50
vi	Net returns to investor	8.5%

**V. RIGHTS OF UNITHOLDERS**

Please refer to SAI for details.

**VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY**

This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.

1. All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.

**There are no such cases.**

2. In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.

Escorts Finance Ltd., Sponsor of Escorts Mutual Fund had defaulted on repayment of fixed deposits on their respective maturity dates. To meet obligations to fixed deposit holders, Escorts Finance Limited turned to the promoter, Escorts Limited, for a bail-out package. For the settlement of dues, Escorts Limited came out with a Scheme of Arrangement under which Escorts Limited agreed to issue its shares for settlement of fixed deposit liability of Escorts Finance Ltd. This Scheme of Arrangement was filed with the Hon'ble High Court in Delhi alongwith a petition for approval of the scheme.

Pending approval of the scheme, the Hon'ble High Court ordered formation of a Hardship Committee to receive and consider applications from fixed deposit holders and make payment against the respective fixed deposit by way of sale of Escorts Limited shares. During the pendency of the scheme, on the interim directions of the Hon'ble Court from time to time, a total payment of Rs.13031.92 lacs has been made to those fixed deposit holders who came forward to claim the maturity value of fixed deposit by way of full and final settlement. The payments have been made under the overall control and supervision of the Hardship Committee constituted by the Hon'ble Court, to whom equity shares of Escorts Ltd. of required value were allotted to enable it to dispose off the same in open market and disburse the proceeds to the claimants. On the principal objectives of the scheme having been achieved, the Company and Escorts Ltd. filed applications before the Hon'ble Court to permit withdrawal of the Scheme/Petitions, which have been allowed by the Hon'ble Court on compliance of certain conditions.

Accordingly, the unsold 24,01,050 Equity Shares of Escorts Limited lying with the Hardship Committee have been transferred to Escorts Benefit Trust for the purpose of discharge of unclaimed Fixed Deposits in terms of the direction of the Hon'ble Court. The unclaimed amount as on 31st March 2017 is Rs.1132.57 lacs. Accordingly, the Scheme of Compromise and Arrangement filed by the Company along with Escorts Ltd. before Hon'ble Delhi High Court, vide which Escorts Ltd. had undertaken to bail out the fixed deposit holders and creditors of the company, stands disposed off.



3. Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.

**There are no such cases.**

4. Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.

**There are no such cases.**

5. Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.

**There are no such cases.**

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

For and on behalf of the Board of Directors of  
**Escorts Asset Management Ltd**

Date: 23.06.2017  
Place: New Delhi

Sd/-  
**Ashok K. Aggarwal**  
**Chief Executive Officer**