



Zerodha Fund House

No 51, 2nd Floor, Le Parc Richmond, Richmond Road,
Shantala Nagar Bangalore, 560025 India

**Statement
of
Additional
Information
(SAI)**

Zerodha Mutual Fund



Zerodha Fund House

No 51, 2nd Floor, Le Parc Richmond, Richmond Road,
Shantala Nagar Bangaluru, 560025 India

Zerodha Mutual Fund

Registration code: MF/080/23/06

Asset Management Company

Zerodha Asset Management Private Limited
CIN: U67190KA2021PTC155726

Trustee Company

Zerodha Trustee Private Limited
CIN: U67100KA2021PTC155537

Address: Indiqube Penta, New No. 51 (Old No. 14), Richmond Road, Bangalore - 560 025

Website: www.zerodhafundhouse.com

Email id: support@zerodhafundhouse.com

Sponsor

Zerodha Broking Limited

CIN: U65929KA2018PLC116815

Address: 153/154, 4th Cross, 4th Phase, Dollars Colony, Opposite Clarence School, J.P Nagar, Bangalore -
560 078

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

This SAI is dated August 31, 2023.



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Interpretation

For all purposes of the SAI, except as otherwise expressly provided or unless the context otherwise requires:

- all references to the masculine shall include the feminine and all references to the singular.
- shall include the plural and vice-versa.
- all references to "dollars" or "\$" refer to United States Dollars and "Rs." refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".
- all references to timings relate to Indian Standard Time (IST).
- References to a day are to a calendar day including non-Business Day.
- Words and expressions used herein but not defined shall have the meaning specified in the Companies Act, 2013, Securities Contracts (Regulation) Act, 1956, SEBI Act, 1992, SEBI (Mutual Funds) Regulations, 1996, Depositories Act, 1996, Reserve Bank of India Act, 1934, Public Debts Act, 1944, Information Security Act, 2000 and the Rules, Income Tax Act 1961, Contract Act, 1872, Prevention of Money Laundering Act, 2002, Foreign Exchange Management Act 1999 & Rules and Regulations Circulars and Guidelines issued thereunder from time to time.
- Clause headings are for ease of reference only and shall not affect the construction or interpretation of this Document.
- A reference to a thing includes a part of that thing.
- Any reference to any statute or statutory provision shall be construed as including a reference to any statutory modifications or re-enactment from time to time.

This Statement of Additional Information (SAI) contains details of Zerodha Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document). The words and expressions used in the SAI will have the same meaning assigned from time to time in the SID.



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Definitions

AMC or Asset Management Company or Investment Manager	Zerodha Asset Management Private Limited, incorporated under the provisions of the Companies Act, 2013 and approved by SEBI to act as the Asset Management Company for the schemes of Zerodha Mutual Fund.
Applicable NAV	The NAV applicable for purchase or redemption or switching of Units based on the time of the Business Day on which the application is accepted, subject to the provisions of 'realisation of funds' and 'cut-off timings' as described in this SID.
Beneficial Owner	Beneficial owner as defined in the Depositories Act, 1996 (22 of 1996) means a person whose name is recorded as such with a depository.
Business Day	<p>A day other than:</p> <ul style="list-style-type: none">(i) Saturday and Sunday;(ii) A day on which the banks in Mumbai and / or RBI are closed for business /clearing;(iii) A day on which the National Stock Exchange of India Limited and/ or the Stock Exchange, Mumbai are closed;(iv) A day which is a public holiday;(v) A day on which Sale / Redemption / Switching of Units is suspended by the AMC;(vi) A day on which normal business cannot be transacted due to storms, floods, strikes or such other events as the AMC may specify from time to time. <p>The Trustees/ AMC reserves the right to declare any day as a Business Day or otherwise.</p>
Business Hours	Presently 9.30 a.m. to 5.30 p.m. on any Business Day or such other time as may be applicable from time to time.
Custodian	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996, which for the time being is Citibank, N.A. for this Scheme].
Depository	Depository as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL).
Depository Participant or DP	A person registered as 'Depository Participant' under sub-Section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.



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Depository Records	Depository Records as defined in the Depositories Act, 1996 (22 of 1996) includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the said Act from time to time.
Derivative	Derivative includes (i) a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security; (ii) a contract which derives its value from the prices, or index of prices, or underlying securities.
Dividend	Income distributed by the Mutual Fund on the Units.
Equity Related Instruments	Equity Related Instruments includes convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives and such other instruments as may be specified by the Board from time to time.
Exit Load or Redemption Load	Load on Redemption / Switch out of Units.
Floating Rate Debt Instruments	<p>Debt instruments issued by Central and / or State Government, corporates or PSUs with interest rates that are reset periodically. The periodicity of the interest reset could be daily, monthly, quarterly, half-yearly, annually or any other periodicity that may be mutually agreed with the issuer and the Fund.</p> <p>The interest on the instruments could also be in the nature of fixed basis points over the benchmark gilt yields.</p>
Foreign Portfolio Investor or FPI	FPI means a person who satisfies the eligibility criteria prescribed under Regulation 4 and has been registered under Chapter II of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.
Holiday	Holiday means the day(s) on which the banks (including the Reserve Bank of India) are closed for business or clearing in Mumbai or their functioning is affected due to a strike / bandh call made at any part of the country or due to any other reason.
Investment Management Agreement	The agreement dated January 09, 2023 entered into between Zerodha Trustee Private Limited and Zerodha Asset Management Private Limited, as amended from time to time.
Load	In the case of Redemption / Switch-out of a Unit, the sum of money deducted from the Applicable NAV on the Redemption / Switch-out and in



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	the case of Sale / Switch-in of a Unit, a sum of money to be paid by the prospective investor on the Sale / Switch-in of a Unit in addition to the Applicable NAV.
Market Capitalisation	Market value of the listed company, which is calculated by multiplying its current market price by number of its shares outstanding.
Money Market Instruments	Includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills and any other like instruments as specified by the Reserve Bank of India from time to time.
Mutual Fund or the Fund	Zerodha Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882.
NAV or Net Asset Value	Net Asset Value per Unit of the Scheme, calculated in the manner described in this Scheme Information Document or as may be prescribed by the SEBI (MF) Regulations from time to time.
New Fund Offer or NFO	Offer for purchase of Units of the Scheme during the New Fund Offer Period as described hereinafter.
Non-Resident Indian or NRI	A person resident outside India who is either a citizen of India or a person of Indian origin.
Official Points of Acceptance (OPA)	Places, as specified/ designated by AMC from time to time where application for subscription / redemption / switch will be accepted on an ongoing basis. Refer page no. 32 for details.
Overseas Citizen of Indian or OCI	A person registered as an overseas citizen of India by the Central Government under Section 7A of 'The Citizenship Act, 1955'. The Central Government may register as an OCI a foreign national (except a person who is or had been a citizen of Pakistan or Bangladesh or such other person as may be specified by Central Government by notification in the Official Gazette), who was eligible to become a citizen of India on 26.01.1950 or was a citizen of India on or at any time after 26.01.1950 or belonged to a territory that became part of India after 15.08.1947 and his/her children and grandchildren (including Minor children), provided his/her country of citizenship allows dual citizenship in some form or other under the local laws.



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Person of Indian Origin	A citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held an Indian passport; or (b) he or either of his parents or any of his grandparents was a citizen of India by virtue of Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian citizen or person referred to in sub-clause (a) or (b).
Plans	Plans shall include and mean existing and any prospective Plan(s) issued by the Scheme in accordance with SEBI (MF) Regulations.
Rating	Rating means an opinion regarding securities, expressed in the form of standard symbols or in any other standardised manner, assigned by a credit rating agency and used by the issuer of such securities, to comply with any requirement of the SEBI (Credit Rating Agencies) Regulations, 1999.
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, (2 of 1934).
Redemption	Redemption of Units of the Scheme as permitted under the SID.
Redemption/Switch Trigger	<p>Under this facility, an Unit holder has the option to trigger a sale or switch of his unit holding in the Scheme either partly for a specified amount or specified units or fully under the following circumstances:</p> <p>(1) On his achieving a desired absolute rate of return on his entire investment in the Schemes as specified by the Unit holders as communicated to the Fund; or</p> <p>(2) On specified dates as communicated to the Fund The aforesaid facility may be offered / withdrawn in such Option(s) / Plan(s) / Scheme at the discretion of the AMC, as may be decided from time to time, with prospective effect. The circumstances / terms and conditions under which the trigger can be activated may also be varied by the AMC from time to time.</p>
Registrar and Transfer Agent or RTA	Computer Age Management Services Limited (CAMS), Chennai, currently acting as registrar to the Scheme, or any other registrar appointed by the AMC from time to time.
Regulatory Agency	Government of India, SEBI, RBI or any other authority or agency entitled to issue or give any directions, instructions or guidelines to the Mutual Fund.
Repo	Sale of Securities with simultaneous agreement to repurchase them at a later date.



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Reverse Repo	Purchase of Securities with a simultaneous agreement to sell them at a later date.
Sale/ Subscription	Sale or allotment of Units to the Unit holder upon subscription by the investor / applicant under the Scheme.
Scheme Information Document or SID	The SID issued by Zerodha Mutual Fund.
SEBI	The Securities and Exchange Board of India.
SEBI (MF) Regulations or Regulations	SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.
Segregated Portfolio	A portfolio, comprising debt or money market instrument affected by a Credit Event that may be segregated in the Scheme optionally and at the sole discretion of the AMC.
Securities	Securities shall include securities as defined under the Securities Contracts (Regulation) Act, 1956.
Sponsors or Settlers	Zerodha Broking Limited.
Stock Lending	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 portfolio.
Statement of Additional Information or SAI	The document issued by Zerodha Mutual Fund contains details of Zerodha Mutual Fund, its constitution, and certain tax, legal and general information. SAI is legally a part of the Scheme Information Document.
Switch	Redemption of a Unit in any scheme (including the plans / options therein) of the Mutual Fund against purchase of a Unit in another scheme (including the plans / options therein) of the Mutual Fund, subject to completion of lock-in period, if any, of the Units of the scheme from where the Units are being switched.
Total Portfolio (with respect to creation of segregated Portfolio, if any)	Scheme portfolio including the securities affected by a Credit Event.



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Tracking Error (TE)	<p>“Tracking Error” is defined as the standard deviation of the difference between daily total returns of the underlying index and the NAV of the Scheme.</p> <p>Thus, TE is the extent to which the NAV of the Scheme moves in a manner inconsistent with the movements of the Scheme’s benchmark index on any given day or over any given period of time due to any cause or reason whatsoever including but not limited to expenditure incurred by the Scheme, dividend payouts if any, whole cash not invested at all times as the Scheme may keep a portion of funds in cash to meet redemption etc.</p>
Tracking Difference (TD)	<p>“Tracking Difference” is defined as the annualized difference of daily returns between the index and the NAV of the Scheme.</p>
Trust Deed	<p>The Trust Deed dated January 09, 2023 made by and between Zerodha Broking Limited and Zerodha Trustee Private Limited ("Trustee").</p>
Trustee or Trustees or Trustee Company	<p>Zerodha Trustee Private Limited, a company incorporated under the Companies Act, 2013 and appointed as the Trustee to Zerodha Mutual Fund.</p>
Unit	<p>The interest of the Unit holder which consists of each Unit representing one undivided share in the assets of the Scheme.</p>
Unit holder or Investor	<p>A person holding Units in the Scheme of Zerodha Mutual Fund offered under this Scheme Information Document.</p>



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Abbreviations

AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
ECS	Electronic Clearing System
GOI	Government of India
GST	Goods and Services Tax
IMA	Investment Management Agreement
KRA	KYC Registration Agency
KYC	Know Your Customer
NAV	Net Asset Value
NFO	New Fund Offer
MF	Mutual Fund
PAN	Permanent Account Number
PoA	Power of Attorney
RBI	Reserve Bank of India
SID	Scheme Information Document
KIM	Key Information Memorandum
TRI	Total Return Index



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I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANY

A. CONSTITUTION OF MUTUAL FUND

Zerodha Mutual Fund (“the Mutual Fund”) has been constituted as a Trust on January 09, 2023, in accordance with the provisions of the Indian Trust Act, 1882 with Zerodha Broking Limited as the Sponsor and Zerodha Trustee Private Limited as Trustees to the Mutual Fund. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on August 11, 2023 having registration no. as MF/080/23/06.

B. SPONSOR (Standard Observation 2)

Zerodha Mutual Fund is sponsored by Zerodha Broking Limited. The Sponsor is the settlor of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rupees One Lakh only) to Zerodha Trustee Private Limited (“the Trustee Company”) as the initial contribution towards the corpus of the Mutual Fund.

Zerodha Broking Limited is India’s largest brokerage platform with 12+ million users. Founded in 2010, they pioneered the discount broking model in India. Known for its simple, transparent & low-cost products and offerings, Zerodha contributes over 15% of all retail trading volumes. The company has developed multiple educational & community initiatives to empower investors & traders and invests in innovation in the capital markets industry with its fund & incubator.

Financial Performance of the Sponsor (past three years)

(Rs. in crores)

Particulars	2022-23	2021-22	2020-21
Net Worth (Rs.)	5,252.99	3,759.15	1,664.40
Total Income (Rs.)	6,780.00	4,964.04	2,729.61
Profit after Tax (Rs.)	3,035.15	2,095.74	1,122.31
Asset Under Management	NA	NA	NA

NA: Not Applicable

C. TRUSTEE COMPANY

Zerodha Trustee Private Limited (“the Trustee”), through its Board of Directors, shall discharge its obligations as Trustee of the Zerodha Mutual Fund. The Trustees ensure that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried out by AMC.



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The shareholding pattern of the Trustee company as on August 31, 2023:

Name of shareholder	Percentage
Zerodha Broking Limited	100%

Details of Trustee Directors:

Name	Age/ Qualification	Brief Experience
Mr. Karthik Rangappa (Associate Director)	43 years Bachelor of Engineering, M.Sc. (Risk & Asset Management)	Mr. Karthik Rangappa is Chief of Education at Zerodha Broking Limited. He single handedly wrote Varsity, Zerodha's massive educational program. He heads Investor Education initiatives at Zerodha Broking Limited.
Dr. Venkatesh Panchapagesan (Independent Director)	56 years B.Com., MBA (Finance), PhD (Finance)	<p>Dr. Venkatesh is an Associate Professor of Finance and heads the Real Estate Research Initiative at IIM Bangalore. He has more than 25 years of experience in academia and in the global financial services industry, after finishing his Ph.D. in Finance from the University of Southern California.</p> <p>Prior to joining IIM Bangalore in September 2011, he was with the world's largest hedge fund, Bridgewater Associates and also worked with Goldman Sachs Asset Management in New York between 2005-2008. Before joining Wall Street, he was a Finance Professor at the Olin School of Business at Washington University in St. Louis from 1998-2005.</p> <p>He is certified in India as a Chartered Accountant and a Cost Accountant and holds a postgraduate management degree from IIM, Calcutta as well. Aside from his academic responsibilities, he is also an independent director and consults for a few Indian companies. He has been a member of several government committees and was a member of the Governing Council of CAFRAL,</p>



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		<p>RBI's research think tank, between 2017-2020. He was India's sole academic representative on the advisory committee for World Economic Forum's Initiative on Real Estate in 2015-16.</p>
<p>Mr. Sankarson Banerjee (Independent Director)</p>	<p>53 years Integrated M.sc. - Mathematics (IIT Kharagpur) PGDM - Finance & Systems (IIM Calcutta)</p>	<p>Mr. Sankarson is an experienced technology professional with over 25 years of work experience, including over 15 years in CXO level positions. He has held CIO roles in RBL Bank, The National Stock Exchange and IIFL Group. He has also worked extensively in technology consulting with stints in Accenture, Mphasis and IBM.</p> <p>In the course of his career, Sankarson has implemented complex websites, trading applications, ERP and supply chain solutions. He has managed balance sheets, advised on technology strategies, founded companies, built teams, negotiated and implemented large contracts. He has managed nationwide IT setups with hundreds of offices, thousands of devices and millions of real time transactions.</p>
<p>Mr. Shameek Ray (Independent Director)</p>	<p>41 years B.A. L.L.B. (WB - National University of Juridical Sciences)</p>	<p>Mr. Shameek has over 16 years of experience in advising both investors and corporates in various capital raising transactions, ranging from hybrid securities, structured debt and preferred capital and equities, both on a private placement and public offer basis. He was a partner at the Mumbai headquartered firm Jerome Merchant + Partners.</p> <p>He also has extensive experience in structured bond issuances and on the financing of infrastructure projects in India. Prior to founding Jerome Merchant + Partners, Shameek worked at the Mumbai office of AZB.</p> <p>Shameek graduated from the National University of Juridical Sciences, Kolkata in 2006.</p> <p>After retiring from Jerome Merchant + Partners, Mr. Ray now works with policy groups and justice changemakers such as Vidhi Centre for Legal Policy and Agami Foundation on various projects.</p>



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Rights, Obligations, Responsibilities and Duties of the Trustee under the Trust Deed and the SEBI (MF) Regulations: (Standard Observation 5)

Pursuant to the Trust Deed dated January 09, 2023, constituting the Mutual Fund, and in terms of the SEBI (MF) Regulations, the rights, obligations, responsibilities and duties of the Trustee, *inter-alia*, are as under:

1. The Trustee shall be responsible for supervising the collection of all income due to be paid to the Scheme(s) and for claiming any repayment of tax and holding any income received in trust for the Unit Holders in accordance with this Deed and the Regulations.
2. The Trustee shall act at all times in the interest of Unit Holders and provide all such information to Unit Holders and SEBI as may be specified by SEBI. The Trustee shall provide or cause to provide information to the Unit Holders and SEBI as may be specified by SEBI from time to time.
3. The Trustee shall at no time acquire any asset out of the Trust Property which involves the assumption of any liability which is unlimited or shall not result in encumbrance of the trust property in any way.
4. Except as permitted under the Regulations, and with the prior approval of the Trustee, the Mutual Fund shall not make or grant loans or guarantee loans, nor shall they carry out at any time any activity in contravention of the Regulations.
5. The Trustee shall generally do all such matters and things as may promote the Trust or as may be incidental to or consequential upon the discharge of its functions and the exercise and enforcement of all or any of the powers and rights under this Deed.
6. The Trustee shall ensure that Offer Document and advertisements contain disclosures which are adequate and in accordance with Regulations in order to enable the investors / Unit Holders to make information investment decisions including disclosures of scheme objectives and investment objectives.
7. The Trustee shall take reasonable care to ensure that the Scheme(s) floated and managed by the Asset Management Company, are in accordance with this Deed, the Offer Documents and the Regulations.
8. The Trustee shall cause the Asset Management Company, to ensure that the manner of calculating the offer, repurchase and redemption prices of Units including inter alia the allowance to be made in computing these prices for contingent liabilities would be in accordance with the Regulations and any guidelines issued by SEBI from time to time.
9. The Trustee shall be bound to discharge all obligations, duties and responsibilities entrusted to them under the Regulations.
10. The Trustee shall be discerning in the appointment of the directors of the Asset Management Company.
11. The Trustee shall review the desirability or continuance of the Asset Management Company, if substantial irregularities are observed in any of the Schemes and shall, at its sole discretion, have the power to prohibit the Asset Management Company, from floating new Schemes.
12. The Trustee shall ensure that the Trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
13. The trustee shall ensure that all service providers hold appropriate registrations from SEBI or other concerned regulatory authorities.



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14. The Trustee shall arrange for test checks of service contracts at such frequency and in such manner as it shall deem appropriate from time to time.
15. The Trustee shall immediately report to SEBI of any extraordinary developments in the Mutual Fund.
16. The Trustee shall:
 - obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee;
 - obtain compliance certificates at regular intervals from the Asset Management Company;
 - hold meetings of the board of directors of the Trustee regularly and frequently;
 - consider the reports of the independent auditor and compliance reports of Asset Management Company, at the meetings of the board of directors of the Trustee for appropriate action;
 - maintain minutes of the meetings of the board of directors of the Trustee;
 - comply with and ensure compliance by the Asset Management Company, and various other service providers with the provisions of the Regulations, as amended and prescribed from time to time;
 - prescribe and adhere to a code of ethics by the Trustee, Asset Management Company, and its personnel; and
 - communicate in writing to the Asset Management Company, of the deficiencies and check on the rectification of deficiencies.
17. The Independent Directors of the Trustee shall pay specific attention to the following:
 - the IMA and the compensation paid under the said agreement;
 - service contracts with affiliates to examine whether the Asset Management Company, has charged higher fees than outside contracts for the same services;
 - selection of the Asset Management Company's independent directors;
 - transactions in securities involving affiliates to the extent that such transactions are permitted under the Regulations;
 - selection and nomination of individuals to fill vacancies in the positions of independent directors;
 - ensuring that the code of ethics is designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions;
 - examining the reasonableness of fees paid to sponsors, Asset Management Company and any others for services provided;
 - any service contract with the associates of the Asset Management Company;
 - Principal underwriting contracts and their renewals.

Each member of the board of directors of the Trustee shall disclose the details of his / her holdings in securities to the Trust at such interval as may be specified in the Regulations from time to time.
18. Notwithstanding anything contained in this Deed, the Trustee shall not be held liable for acts done in good faith if it has exercised adequate due diligence honestly.
19. The trustees shall ensure before the launch of any scheme that the asset management company has:
 - Systems in place for its back office, dealing room and accounting;
 - Appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the trustees, within 15 days of their appointment;



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- Appointed auditors to audit its accounts;
 - Appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances;
 - The compliance officer appointed under this clause shall immediately and independently report to the Board any non-compliance observed by him;
 - Appointed registrars and laid down parameters for their supervision;
 - Prepared a compliance manual and designed internal control mechanisms including internal audit systems; and
 - specified norms for empanelment of brokers and marketing agents.
20. The trustees shall ensure:
- That the asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
 - Transactions and activities entered into by the asset management company are in accordance with these regulations and the scheme.
 - The asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interests of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
 - There is no conflict of interest between the manner of deployment of its net worth by the asset management company and the interest of the unit- holders.
21. Where the trustees have reason to believe that the conduct of business of the mutual fund is not in accordance with these regulations and the scheme, they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the SEBI of the violation and the action taken by them.
22. Each trustee shall file the details of his transactions of dealing in securities with the Mutual Fund on a quarterly basis.
23. The trustees shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unitholders in accordance with these regulations and the provisions of trust deed.
24. The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
25. The trustees shall obtain the consent of unitholders:
- Whenever required to do so by SEBI in the interest of the unitholders.
 - Whenever required to do so on the requisition made by three-fourths of the unit- holders of any scheme.
 - When the majority of the trustees decide to wind up or prematurely redeem the units of a close ended scheme.
26. The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless:
- A 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



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- as in a newspaper published in the language of region where the Head Office of the mutual fund is situated.
- The unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.
27. The trustees shall call for the details of transactions in securities by the key personnel of the asset management company in his own name or on behalf of the asset management company and shall report to the Board, as and when required.
 28. The trustees shall quarterly review:
 - All transactions carried out between the mutual funds, asset management company and its associates.
 - Net worth of the asset management company and in case of any shortfall, ensure that the asset management company makes up for the shortfall.
 29. The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.
 30. The trustees shall abide by the Code of Conduct as specified in the Fifth Schedule of the Regulations.
 31. The trustees shall furnish to the SEBI on a half-yearly basis: -
 - a report on the activities of the mutual fund
 - a certificate stating that the trustees have satisfied themselves that there have been no instances of self-dealing or front-running by any of the trustees, directors and key personnel of the asset management company.
 32. a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and in case any activities of the nature referred hereunder have been undertaken by the asset management company and has taken adequate steps to ensure that the interests of the unitholders are protected.
 33. The independent trustees shall give their comments on the report received from the asset management company regarding the investments by the mutual fund in the securities of group companies of the sponsor.
 34. frame one or more Scheme(s) for the issue of Units to be subscribed by the public or class of public or specified person or persons whether singly or otherwise and shall frame such rules and regulations for the issue, repurchase and redemption thereof and for the distribution of income on Units, and modify or alter the said rules and regulations as the Trustee may in its absolute discretion deem fit, with the duration of each Scheme being such as may be decided from time to time by the Trustee;
 35. acquire, hold, manage, trade, lend, pledge and dispose of shares, debentures (convertible, partly convertible or non-convertible), bonds, instruments, obligations, warrants, notes, money market papers, instruments and other stocks and securities of all kinds (including, without limitation listed or unlisted) issued by any company or body corporate, local authority, public body in India or Government of India or State Government or by any local authority or any company, body corporate or public international body in India or Government of India or State Government or by any local authority or any company, body corporate or public international body in India or any country outside India as may be approved by the Reserve Bank of India “(RBI)” and such other securities and instruments as may be permissible under the Regulations from time to time; to acquire or enter into or deal in any derivative, option, hedging (including currency hedging), swap or other contract of a similar nature, repurchase agreement transactions, whether in India or



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- abroad and to enter into securities lending and borrowing transactions, underwriting and sub underwriting contracts and placings, subject to applicable Law;
36. calculate the offer, repurchase and redemption prices of Units including inter alia the allowance to be made in computing these prices for contingent liabilities;
 37. Keep the capital and moneys of the Mutual Fund in call or repurchase options or deposit with banks or other financial institutions or companies or and other financial instruments as may be permitted under the Regulations;
 38. Enter into arrangements with one or more persons in and outside India for the following functions:
 - (i) to mobilise collections for various Scheme(s) of the Mutual Fund and to render such services as may be required by the Mutual Fund; and
 - (ii) to display the advertisements and other marketing materials.However, the arrangements outside India shall always be subject to necessary permissions from RBI and other authorities as may be required under applicable Law.
 39. enter into agreements or arrangements (that may cover inter alia functions included in Clause 6.1.5 above) including agreements/ arrangements by way of tie-ups, collaborations, joint ventures with mutual funds, asset management companies, financial institutions, investment companies, banks and other institutions in or outside India;
 40. do any other kind of business connected with mobilisation of savings and investments;
 41. accept contributions, grants, and donations;
 42. collect, get in and receive that profit, interest, dividend and income of the Trust Property from time to time as and when the same becomes due and receivable;
 43. pay all costs, charges, expenses and outgoings of and incidental to the administration and execution of the Trust and the management and maintenance of the trust Property and incurred for the same (including remuneration of the Trustee and the Asset management Company) in accordance with and subject to the limits under the Regulations as may be stipulated from time to time and, without prejudice to the generality of the foregoing, the following expenses may be charged to the Mutual Fund:
 - (i) marketing and selling expenses including agents commission, if any;
 - (ii) brokerage and transaction costs;
 - (iii) charges for registrar services, inter-alia for the issue, transfer, repurchase and redemption of Units;
 - (iv) fees and expenses of the Trustee;
 - (v) audit fees;
 - (vi) custodian fees;
 - (vii) registrar and transfer agent fees;
 - (viii) costs related to investor communication;
 - (ix) cost of transfer of funds from location to location;
 - (x) cost of providing account statements and dividend/redemption cheques and warrants;
 - (xi) insurance premium paid by the Mutual Fund;
 - (xii) winding up cost for terminating a Scheme or the Mutual Fund.
 - (xiii) cost of statutory advertisements; and
 - (xiv) such other costs and fees as may be permitted under the Regulations.
 44. appoint brokers, sub-brokers, agents, custodial agents, registrar, share transfer agents for the purpose of purchase and sale of securities, investment under the Scheme and to pay their charges.



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45. appoint and engage advocates, solicitors, valuers, chartered accountants, credit rating agencies and such other experts for the purpose of the Schemes and to pay their remuneration and charges;
46. do all such acts, deeds and things and exercise such powers and sign and execute all such documents, Unit certificates, transfer forms, declarations, affidavits, indemnities as it may in its absolute discretion deem fit;
47. deal with all matters arising from the Mutual Funds / Asset Management Company, on the one hand and Unit Holders on the other, and to settle disputes, if any with Unit Holders;
48. the Trustee shall have a right to obtain from the Asset Management Company, such information as is considered necessary by the Trustee.
49. pay out of the income of the Trust property after deducting all expenses, the interest and dividend in accordance with the Scheme and the Offer Document applicable to each Scheme;
50. conduct spot checks on the Asset Management Company, at such frequency and in such manner as it may deem fit to ensure compliance with the provisions of the Regulations including but not limited to provisions governing pricing of units, payments into and out of the Trust Property, proper accounting of the income of the Trust and charging of expenses as permitted;
51. make all decisions, concerning the investigation, selection, development, negotiation, structuring, restructuring, commitment to or monitoring, divestment of investments;
52. direct and approve the formulation of investment policies and strategies for the Mutual Fund and to approve and make the investment of funds;
53. open, maintain, operate and close bank accounts and draw cheques or other orders for the payment of money and open, operate, maintain and close dematerialized accounts, depository accounts, custody accounts, brokerage, mutual fund and similar accounts with respect to the requirements of the Mutual Fund;
54. hire, engage and reimburse expenses of placement agents, distributors, consultants, brokers, custodian, attorneys, accountants and such other agents and employees for the Mutual Fund as it may deem necessary or advisable, and authorise any such agent or employee to act for and on behalf of the Mutual Fund and to reimburse them for their expenses;
55. enter into, execute, maintain and / or terminate contracts, undertakings, agreements and any and all other documents and instruments in the name of the Mutual Fund, and do or perform all such things as may be necessary or advisable in furtherance of the Mutual Fund's powers, object or purposes or the conduct of the Mutual Fund's activities;
56. to borrow or leverage as permitted under the Regulations;
57. generally to exercise all such powers as it may be required to be exercised under the Regulations for the time being in force and do all such matters and things as may promote the Mutual Fund or as may be incidental to or consequential upon the discharge of its functions and the exercise and enforcement of all or any of the powers and rights under this Deed; and
58. the Trustee shall, subject to the provisions of the Regulations and this deed, have all powers and rights of a trustee under the Indian Trust Act, 1882 to achieve the objectives of this Trust and protect the interests of the Unit Holders.
59. The Trustee shall exercise due diligence as under:
 - A. General Due Diligence:
 - (i) The Trustee shall be discerning in the appointment of the directors on the Board of the AMC.
 - (ii) The Trustee shall review the desirability of continuance of the AMC if substantial irregularities are observed in any of the scheme(s) and shall not allow the AMC to float new scheme(s).



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(iii) The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.

(iv) The Trustee shall ensure that all service providers are holding appropriate registrations from SEBI or concerned regulatory authority.

(v) The Trustee shall arrange for test checks of service contracts.

(vi) The Trustee shall immediately report to SEBI of any special developments in the Mutual Fund.

B. Specific Due Diligence:

The Trustee shall:

(i) Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee.

(ii) Obtain compliance certificates at regular intervals from the AMC.

(iii) Hold meetings of the Trustee more frequently.

(iv) Consider the reports of the independent auditor and compliance reports of the AMC at the meetings of Trustee for appropriate action.

(v) Maintain records of the decisions of the Trustee at their meetings and of the minutes of the meetings.

(vi) Prescribe and adhere to a code of ethics by the Trustee, AMC and its personnel. (vii) Communicate in writing to the AMC of the deficiencies and checking on the rectification of deficiencies.

60. Notwithstanding anything contained in SEBI (MF) Regulations, the Directors of the Trustee Company shall not be held liable for acts done in good faith, if they have exercised adequate due diligence honestly.

61. The Independent Directors shall pay specific attention to the following:

- the Investment Management Agreement and the compensation paid under the Agreement.
- service contracts with affiliates.
- whether the AMC has charged higher fees than outside contractors for the same services.
- selection of the AMC's Independent Directors.
- securities transactions involving associates to the extent such transactions are permitted.
- selection and nomination of individuals to fill Independent Directors vacancies.
- designing of code of ethics to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
- the reasonableness of fees paid to Sponsors, AMC and any others for services provided.
- principal underwriting contracts and their renewals.

any service contract with the associates of the AMC. On a regular basis, activity report forwarded by the AMC will be discussed at the Board meeting of the Trustee. The Board meeting of the Trustee shall be held at least once in every two calendar months and at least six such meetings shall be held in every year or at such frequency as may be prescribed under the SEBI (MF) Regulations from time to time. The quorum for a Board meeting of the Trustee shall not be constituted unless such number of independent directors as may be prescribed under SEBI (MF) Regulations from time to time are present at the meeting.

62. The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.

63. The investment management agreement shall contain such clauses as are mentioned in the Fourth Schedule and such other clauses as are necessary for the purpose of making investments.



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64. The trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the asset management company in any manner detrimental to interest of the unitholders.
65. The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.

D. ASSET MANAGEMENT COMPANY

ZeroDha Asset Management Private Limited (“the AMC” or “ZeroDha AMC”) is a private limited company incorporated under the Companies Act, 2013 on December 20, 2021, having its registered office at New No.51, IndiQube Penta, 2nd Floor, Richmond Road, Bangalore - 560 025. The AMC has been appointed as the Asset Management Company of ZeroDha Mutual Fund by the Trustee vide Investment Management Agreement dated January 09, 2023 executed between the Trustee and the AMC.

The shareholding pattern of the AMC as on August 31, 2023: (Standard Observation 7)

Name of shareholder	Percentage
ZeroDha Broking Limited	70%
Smallcase Technologies Private Limited	30%

Details of AMC Directors:

Name	Age/ Qualification	Brief Experience
Mr. Bhuvanesh R (Associate Director)	31 years Commerce Graduate	Mr. Bhuvanesh has worked at ZeroDha Broking Limited for over six years, looking after all products related to mutual funds, National Pension Scheme, and fixed income. He's also involved in fintech investments through Rainmatter.
Ms. Nithya Easwaran (Independent Director)	49 years Bachelor of Engineering (VJTI Mumbai) & MBA (IIM Lucknow)	Nithya has over 25 years of rich experience in financial services. She is Managing Director of Multiples Alternate Asset Management (a private equity platform with AUM of over US\$ 2 billion), Director on the Board of Multiples and a part of the Investment Committee. Nithya is also Director on the Board of Arvind Fashions, APAC Financial Services, Kogta Financial (India) Limited, Acko Technology &



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		<p>Services Private Limited, Niyo Solutions Inc., DAM Capital Advisors Ltd.</p> <p>She is a founding member of the India Chapter of Bloomberg Women's Buyside Network and works closely with WIN PE in coaching young women professionals in investing.</p>
<p>Mr. Tushar Mahajan (Independent Director)</p>	<p>43 years B.E. (Hons.) & MBA (IIM Bangalore)</p>	<p>Tushar has over 20 years of experience in financial services across diverse platforms, primarily focussed on Capital Markets. In his latest assignment at Centrum Capital, Tushar has helped scale up the Institutional Equities business of Centrum by running the sales and trading function for over four years. Prior to that, he was responsible for the listed derivatives business at Nomura Financial Advisory and Securities Limited, the Indian business for Nomura International Plc.</p> <p>He was also responsible for setting up the access product for overseas investors who wished to access Indian markets via Nomura's platform. Apart from Centrum and Nomura, Tushar has worked at Edelweiss Capital, American Express and ICICI Bank.</p>

Duties and obligations of the AMC

1. The AMC shall be responsible for floating and issuing Schemes for the Mutual Fund after approval of the same by the Trustee Company Board and SEBI, as well as investing and managing the funds mobilized under various Schemes, in accordance with the provisions of the Deed of Trust and the Regulations.
2. The AMC shall disclose the basis of calculating such repurchase price and NAV in the Scheme particulars and shall also disclose the repurchase price and NAV of the various Schemes of the Trust, to the investors, at such intervals as may be specified by the Trustee Company Board and in accordance with the Regulations issued from time to time. The AMC shall compute & carry out valuation of the Investments made by its scheme in accordance with Investment Valuation norms specified in Eight Schedule of Regulations and amendments thereto and publish the same.
3. The AMC shall account for the revenues collected in connection with the management of the Mutual Fund.



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4. The AMC shall instruct the auditor to examine the Mutual Fund's annual statement of accounts and to report on their correctness and shall authorise the auditors to communicate directly with the Trustees at any time.
5. The AMC shall give public advertisement in newspapers and in its discretion, in any other manner, the un-audited half-yearly accounts and audited annual accounts of the various schemes as required under the Regulations.
6. The AMC shall at all times ensure that the Trust Fund is segregated from assets of the AMC and assets of any other funds for which the AMC is responsible;
7. The AMC shall, as required under the Regulations, provide compliance certificates to the Trustees at regular intervals.
8. The AMC shall provide to the Unit Holder an option of nomination in the event of the death of the Unit Holder or an option to cancel the nomination in terms of Regulation 29A, in the form prescribed in the Schedule II to this Agreement, or such other format as may be prescribed from time to time.
9. The AMC shall acquire, create and update databases on companies, financial instruments, markets, economic indices and other subjects to the satisfaction of the Mutual Fund in order to take investment, deployment and disinvestment decisions in a scientific manner and make them available without any charges to the mutual Fund.
10. The AMC shall submit such reports to the Trustee regarding the AMC's activities hereunder as the Trustees or SEBI may prescribe from time to time. The Trustees shall have the right to obtain from the AMC all information concerning the operations of the various Schemes of the Mutual Fund at such interval and in such manner as required by the Trustees to ensure that the activities of the AMC are in compliance with the Deed of Trust and the Regulations. In addition, the AMC shall maintain books and registers regarding the operation of various Schemes under its management to:
 - ensure compliance with the Regulations, and
 - demonstrate that such compliance by it has been achieved.
11. The AMC shall obtain from the custodian(s) of the Mutual Fund, from time to time, such financial reports, proxy statements and other information relating to the business and affairs of the Mutual Funds as the AMC may reasonably require in order to discharge its duties and obligations hereunder or to comply with the Regulations or any applicable Law, rules and regulations.
12. The AMC shall submit a quarterly report on the functioning of the Schemes of the Mutual Fund, activities of AMC and compliance with regulations to the Trustees or at such intervals as may be required by the Trustees or SEBI.
13. The AMC will, upon request by the Trustees, provide the Trustees or any party designated by the Trustees with:
 - evaluation of current economic conditions;
 - evaluation of particular prospects in the securities markets;
 - evaluation of specific companies;
 - investment research and advice for the assets of the mutual fund
 - consistent with the provisions of the Deed of Trust and the
 - Investment policies and guidelines adopted and declared by the
 - Trustees; and
 - such other services as may be directed by the Trustees.



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14. The asset management company shall not carry out its operations including trading desk, unit holder servicing and investment operations outside the territory of India.
15. The asset management company and the sponsor of the mutual fund shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.
16. The asset management company shall report and disclose all the transactions in debt and money market securities, including inter scheme transfers, as may be specified by the SEBI.
17. The asset management company may utilise such services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities, if disclosure to that effect is made to the unitholders and the brokerage or commission paid is also disclosed in the half-yearly annual accounts of the mutual fund.
18. The asset management company shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.
19. The asset management company shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
20. The asset management company shall obtain, wherever required under SEBI (Mutual Funds) regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
21. The asset management company shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the asset management company.
22. The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time.
Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
23. Notwithstanding, anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omission, while holding such position or office.
24. The Chief Executive Officer [whatever be the designation] of the asset management company shall ensure that the mutual fund complies with all the provisions of these regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the mutual fund.
25. Chief Executive Officer (whatever be the designation) shall also ensure that the Asset Management Company has adequate systems in place to ensure that the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of SEBI (Mutual Funds) regulations are adhered to in letter and spirit. Any breach of the said Code of Conduct shall be brought to the attention of the Board of Directors of the Asset Management Company and Trustees.
26. The fund managers (whatever be the designation) shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unit holders.
27. The Fund Managers (whatever be the designation) shall abide by the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and submit a quarterly self-certification to the Trustees that they have complied with the said code of conduct or list exceptions, if any.



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28. The Dealers (whatever be the designation) shall ensure that orders are executed on the best available terms, taking into account the relevant market at the time for transactions of the kind and size concerned to achieve the objectives of the scheme and in the best interest of all the unit holders.
29. The Dealers (whatever be the designation) shall abide by the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and submit a quarterly self-certification to the Trustees that they have complied with the said code of conduct or list exceptions, if any.
30. An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes. Provided that for the purpose of this sub-regulation, the aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund. Provided further that the aforesaid limit of 5 per cent shall apply for a block of any three months.
31. An asset management company shall not purchase or sell securities through any broker [other than a broker referred to in clause (a) of sub-regulation (7) of Regulation 25 of SEBI(Mutual Fund) Regulations, 1996] which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the trustees on a quarterly basis. Provided that the aforesaid limit shall apply for a block of three months.
32. In case the asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.
33. In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half-yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
34. The asset management company shall file with the trustees and the Board—
 - a. detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment;
 - b. any change in the interests of directors every six months; and
 - c. a quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the asset management company, as the case may be, by the mutual fund during the said quarter.
35. Each director of the asset management company shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with guidelines issued by the Board.
36. The asset management company shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
37. The asset management company shall appoint registrars and share transfer agents who are registered with the Board. Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and



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reasons for charging higher rates shall be disclosed in the annual accounts. **(Standard Observation 11)**

38. The asset management company shall abide by the Code of Conduct as specified in [PART-A] of the Fifth Schedule.

Information on Key Personnel: **(Standard Observation 3)**

S.No.	Name	Age	Designation	Qualification	Total years of experience	Brief Experience
1	Mr. Vishal Jain	50	Chief Executive Officer (CEO) & Head Sales	BSc (Maths, Statistics), PGDM	26 Years	<u>January 2022 - till date</u> Zerodha AMC <u>December 2016 to December 2021</u> Nippon India AMC - Head ETF <u>May 2014 to December 2016</u> Food Ideas Pvt Ltd - CEO <u>September 2011 to May 2014</u> Goldman Sachs AMC - CIO <u>August 2000 to September 2011</u> Benchmark AMC - CIO
2.	Mr. Akshay Degamwar	38	Chief Risk Officer (CRO)	B.Com, Executive Masters	16 years	<u>August 2022 - till date</u> Zerodha AMC <u>May 2019 - July 2022</u> Aditya Birla Sun Life AMC Ltd Head - Operational Risk and Internal Audit <u>May 2017 - May 2019</u> Deloitte Touche Tohmatsu India LLP Risk Advisory - Manager <u>August 2015 - May 2017</u> KPMG India Risk Advisory - Manager



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						<p><u>May 2013 - August 2015</u> Deutsche Investor Services Ltd. Domestic Fund Accounting - Analyst</p> <p><u>December 2006 - May 2013</u> JP Morgan Services India Pvt Ltd. Domestic Fund Accounting - Associate</p>
3.	Mr. Anand Jasrapuria	26	Chief Operating Officer & Investor Relation Officer (IRO)	Chartered Accountant (CA), CFA Level 3 candidate, B.Com	7 years	<p><u>February 2022 - till date</u> Zerodha AMC</p> <p><u>August 2019 - January 2022</u> HDFC AMC- Manager- Operations</p> <p><u>September 2018 - January 2019</u> Deloitte Touche Tohmatsu India LLP- Assistant Manager- Financial Advisory</p> <p><u>September 2015 - September 2018</u> Deloitte Haskins & Sells LLP- Associate- Statutory Audit</p>
4.	Mr. Chandra Bhushan Singh	35	Head Legal & Compliance (Compliance Officer) and Principal Officer	B.Com., M.Com (Business Policies & Corporate Governance, ACS & LLB	12 years	<p><u>January 2022 - till date</u> Zerodha AMC</p> <p><u>September 2021 - January 2022</u> Navi Mutual Fund as Trustee Officer</p> <p><u>November 2018 - August 2021</u> HDFC Mutual Fund as Sr. Manager - Compliance</p> <p><u>September 2016- October 2018</u> IDBI Mutual Fund as Head -</p>



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						Compliance, Legal & Secretarial <u>June 2014 - August 2016</u> DMICDC as Company Secretary & Manager - Legal <u>December 2012 - May 2014</u> Athena Infraprojects Private Limited as Company Secretary <u>February 2011 - May 2012</u> Honda Cars India Limited as Management Trainee
5.	Mr. Chintan Bhatt	29	Chief Financial Officer (CFO)	Chartered Accountant (CA), B.Com.	7 Years	<u>February 2023 - till date</u> Zerodha AMC <u>September 2021 - February 2023</u> Navi AMC Ltd July 2022 - February 2023 - Chief Risk Officer (CRO) September 2021 - June 2022 - Operations Team <u>April 2016 - September 2021</u> UTI Asset Management Company Limited - Manager Treasury & Fund Accounting Department
6	Mr. Kedarnath Mirajkar	41	Fund Manager - Equity	PGDBM - Finance	18 years	<u>June 2022 - till date</u> Zerodha AMC <u>April 2010 to June 2022</u> Aditya Birla Sun Life AMC Fund Manager/ Dealer Passive - December 2020 to June 2022 Chief Manager MOG -



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						November 2018 to December 2020 Trade Operations - April 2010 to Nov 2018 <u>August 2007 to March 2010</u> HDFC Bank- (Deputy manager Custody Department) <u>September 2005 to August 2007</u> Bombay Dyeing - Operations Department
7	Mr. Ratan Kumar	32	Chief Information Security Officer (CISO)	B.Tech, (Computer Science & Engineering)	10 Years	<u>July 2022 - till date</u> Zerodha AMC <u>August 2015 to July 2022</u> Smallcase Technologies Pvt Ltd - VP Engineering <u>April 2015 to August 2015</u> Ecstasy e-ordering Pvt Ltd - Senior Software Engineer <u>August 2013 to April 2015</u> Tracxn technologies Pvt Ltd - Senior Software Engineer

Procedure followed for investment decisions (Standard Observation 4)

1. The Investment Committee will lay down the fund's investment philosophy, policy and processes/procedures, review the performance/portfolios of the Schemes, monitor the credit ratings of debt exposures, etc. Fund Manager(s) shall be responsible for taking investment/divestment decisions for their respective Scheme and for adhering to the Fund's investment philosophy, policy and processes/procedures. Investment decisions shall be recorded by the respective Fund Manager(s) along with reasons for the same.
2. Investment decisions taken for various scheme(s) shall be recorded in accordance with the requirements prescribed in SEBI MF Regulations and applicable Circulars/Guidelines issued by SEBI from time to time.
3. The Investment Committee shall meet periodically and undertake review of fund management activities including scheme(s) performance, portfolio of the scheme(s), asset allocation etc.



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4. Review of scheme(s) performance will also be undertaken by the Board of Directors of AMC and Trustee Company in the Board Meeting.
5. The CEO of the AMC shall ensure that all investment decisions are taken in the interest of unit holders of the scheme(s) and in compliance with SEBI MF Regulations and various Circulars, Guidelines etc issued by SEBI from time to time pertaining to investments.
6. Periodic presentations will be made to the Board of Directors of the AMC and Trustee Company to review the performance of the Scheme.

E. SERVICE PROVIDERS

- **Custodian**

Citibank, N.A.

SEBI Registration No. - IN/CUS/004

FIFC, 11th Floor C-54/55, G Block,
Bandra Kurla Complex, Bandra - East,
Mumbai - 400 098

- **Fund Accountant**

Citibank, N.A.

FIFC, 11th Floor C-54/55, G Block,
Bandra Kurla Complex, Bandra - East,
Mumbai - 400 098

- **Registrar and Transfer Agent**

Computer Age Management Services Limited (CAMS)

SEBI Registration No. INR000002813

No.10 (Old No.178), M.G.R. Salai,
Nungambakkam,
Chennai – 600 034

The Board of the Trustees and the AMC has ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unit holders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints.

- **Statutory Auditor for Mutual Fund**

MSKA & Associates, Chartered Accountants

- **Legal Counsel**

There is no retained legal counsel to the Mutual Fund or AMC. The Mutual Fund or AMC will be using the service of renowned legal counsel, as required.



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- **Collecting Bankers**

YES Bank Limited

SEBI Registration No. INR000002813

Kasturba Road, Bangalore - 560 001

F. CONDENSED FINANCIAL INFORMATION

The section on condensed financial information is not applicable as Zerodha Mutual Fund is yet to launch its first scheme. **(Standard Observation 17)**

II. HOW TO APPLY

This Section must be read in conjunction with the Section 'Units and Offer' of the SID of the respective scheme(s) of the Fund:

Investors can apply for the purchase and redemption transactions in the schemes of Zerodha Mutual Fund through the following modes i.e. Official Points of Acceptance (OPA):

- Direct point of online contact for the AMC, such as the website, mobile application, WhatsApp, or any other online mode of communication by enabling transactions directly or in directly (by redirecting to any other relevant partner platform)
- Website/ Mobile App of MFU and MF Central - <https://www.mfuindia.com> ; <https://www.mfcentral.com/>
- Website/ Mobile App of various aggregator platforms/ channel partners/ business partners/ investment advisers/ execution only platform with whom AMC has entered or may enter into specific arrangements
- CAMS - <https://www.camsonline.com/>

The investors can also submit the application by placing the order with the members (stock brokers) of stock exchanges or RIAs through the stock exchange infrastructure (i.e., BSE StAR MF/ NMF/ MFSS).

Application through website/ mobile application of various aggregator platforms/ channel partners

A Unit holder may purchase / redeem units of eligible schemes through website/ mobile application of various aggregator platforms/ channel partners with whom AMC has entered or may enter into specific arrangements. The Unit holder is required to comply with the terms and conditions, process, etc., as may be prescribed by the respective aggregator platforms/ channel partners/ Zerodha Mutual Fund from time to time.

Application through BSE StAR MF and NSE MF platform



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A Unit holder may purchase / redeem units of eligible schemes through the Stock Exchange infrastructure. The purchase/redemption of units will be available to both existing and new investors. The investors will be eligible to only purchase / redeem units of the eligible schemes. The list of eligible schemes is subject to change from time to time. Investors have an option to hold the units in physical or dematerialized form. In order to facilitate transactions in mutual fund units through the stock exchange infrastructure, BSE has introduced BSE STAR MF Platform and NSE has introduced NSE Mutual Fund Platform (NMF). NFO may or may not be available on Exchange Platforms. Switch transactions are also permitted through the stock exchange platform provided by BSE Limited (BSE), subject to such operating guidelines, terms and conditions as may be prescribed by BSE and NSE from time to time. Additionally, the units of the Scheme are permitted to be transacted through Clearing Members of the registered Stock Exchanges.

Application through MFU (MF Utilities India Pvt. Ltd) and MF Central

Investors can execute financial and non-financial transactions pertaining to Schemes of Zerodha Mutual Fund ('the Fund') electronically on the MFU (www.mfuonline.com) and MF Central portal (<https://www.mfcentral.com>), as and when such a facility is made available by the respective platforms transactions subject to terms, conditions and processes adopted by these platforms.

Applications Supported by Blocked Amount (ASBA) Facility During New Fund Offer (NFO) of Schemes

In accordance with SEBI Circular No. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010, ASBA facility shall be provided to investors as a supplementary facility in addition to existing facility through cheques/demand drafts or any other mode of electronic payment for subscribing to the units of scheme(s) during the New Fund Offer period. Please note that ASBA facility is purely optional and not mandatory. ASBA is an application containing an authorization given by the Investor to block application money in his specified bank account towards the subscription of Units offered during the NFO of the Scheme. If an investor is applying through ASBA facility, the application money towards the subscription of Units shall be debited from his specified bank account only if his/her application is selected for allotment of Units.

To avail of the ASBA Facility, an investor must be holding a Bank account with Self Certified Syndicate Bank (SCSB). SCSB means a banker to an issue registered with the SEBI, which offers the facility of ASBA. ASBA applications can be accepted only by SCSBs at their designated branches, whose names appear on the list of SCSBs displayed in SEBI's website (https://www.sebi.gov.in/sebi_data/docfiles/32931_t.html)

The SCSB shall then block the application money in the bank account specified in the ASBA, on the basis of an authorisation to this effect given by the account holder in the ASBA. The application money shall remain blocked in the bank account till the allotment of the issue or till withdrawal/rejection of the application, as the case may be. ASBA facility will be available to all the category of investors mentioned under "Who can invest" Section of the respective SID. An investor, who is eligible for the ASBA facility, has the option of making an application through ASBA or through the existing facility of applying with a cheque / demand draft as mentioned in the SID. Investors should note that ASBA facility shall be made available to investors only for subscribing to the units of scheme during the New Fund Offer period.



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KYC Requirements

KYC (Know Your Customer) norms are mandatory for all investors, who wish to make investments in Mutual Funds, irrespective of the amount of investment. Investments where KYC is not completed, is liable to be rejected.

KYC shall also be mandatory for:

- constituted Power of Attorney (PoA) holder(s), in case of investments through PoA.
- each of the applicants, in case of application in joint names.
- guardian investing on behalf of minor(s).
- if an individual becomes an investor due to an operation of law, e.g., transmission of units upon death of an investor, the claimant / person(s) entering the Register of unit holders of the Fund will be required to KYC compliant before such transfer takes place

Know your Customer (KYC) Procedure:

All the investors / unit holders of the Fund are requested to note that, pursuant to SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011, SEBI KYC Registration Agency (KRA) Regulations, 2011 and SEBI Circular No. MIRSD/SE/Cir21/2011 dated October 5, 2011 regarding uniformity in KYC process in the securities market and development of a mechanism for centralization of the KYC records, the following KYC procedure is being carried out:

1. To bring uniformity in KYC process, SEBI has introduced a common KYC application form for all the SEBI registered intermediaries viz. Mutual Funds, Portfolio Managers, Depository Participants, Stock Brokers, Venture Capital Funds, Collective Investment Schemes etc. All the new investors are therefore requested to use the Common KYC application form to apply for KYC and mandatorily undergo In Person Verification (IPV) requirements with SEBI registered intermediaries including Mutual Funds.
2. The AMC may perform the initial KYC of its new investors and upload the details of the investors on the system of the KYC Registration Agency (KRA). Further, the Registrar and Transfer Agent (RTA) of the Fund, i.e., Computer Age Management Services Limited (CAMS) may also undertake the KYC of the investors on behalf of the AMC. An investor can start investing with the Fund as soon as the initial KYC is done and other necessary information is obtained while the remaining process of KRA is in progress.
3. Once the investor has done the KYC with a SEBI registered intermediary, the investor need not undergo the same process again with another intermediary including Mutual Funds. However, the AMC reserves the right to carry out fresh KYC to the investors or undertake enhanced KYC measures commensurate with the risk profile of the investor.

The investor(s) and their attorney, if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/ passport/ driving license/PAN card, etc. and/or such documents or produce such information as may be required from time to time for verification of the identity, residential address and financial information of the investor(s) by the AMC/Mutual Fund. If the investor(s) or the person making payment on behalf of the investor(s), refuses / fails to provide the



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required documents/ information within the period specified in the communication(s) sent by the AMC to the investor(s) then the AMC, after applying appropriate due diligence measures, believes that the transaction is suspicious in nature within the purview of the Act and SEBI circulars issued from time to time and/or on account of deficiencies in the documentation, shall have absolute discretion to report suspicious transactions to FIU-IND and / or to freeze the folios of the investor(s), reject any application(s) / allotment of units and effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to payment of exit load, if any, in terms of the said communication sent by the AMC to the investor(s) in this regard. The KYC documentation shall also be mandatorily complied with by the holders by virtue of operation of law e.g. transmission, etc. Zerodha Mutual Fund, Zerodha Asset Management Private Limited, Zerodha Trustee Private Limited and their Directors, employees and agents shall not be liable in any manner for any liability arising whatsoever on account of freezing the folios / rejection of any application / allotment of units or mandatory redemption of units due to non-compliance with the provisions of the Act, SEBI circular(s) and KYC policy and / or where the AMC believes that transaction is suspicious in nature within the purview of the Act and SEBI circular(s) and reporting the same to FIU-IND.

It is mandatory for existing investors to update the Ultimate Beneficial Ownership (UBO) details in order to continue to make additional subscriptions including switches in their existing folio.

Thus, it is mandatory to complete the KYC requirements for all unit holders, including for all joint holders and the guardian in case of folio of a minor investor.

Accordingly, financial transactions (including redemptions, switches and all types of systematic plans) and non-financial requests will not be processed if the unit holders have not completed KYC requirements.

CKYC Process:

SEBI vide circular no. CIR/MIRSD/66/2016 dated July 21, 2016 and circular no. CIR/MIRSD/120 /2016 dated November 10, 2016, has intimated about operationalisation of the Central KYC Records Registry (CKYCR). Further, AMFI vide circular dated December 22, 2016 has prescribed new CKYC forms which shall be applicable for prospective customers. Accordingly, any new individual investor who has not done KYC under the KRA regime shall fill the new CKYC form. In case any such new individual investor uses the old KYC form, he/she shall provide additional/missing information by filling the Supplementary CKYC form or the new CKYC form.

Existing investors who are registered or verified in the KRA system can continue making investments without any additional documentation. However, for any modification to their existing records, they need to fill up the CKYC form.

Central KYC Records Registry (CKYCR), in its communication no. CKYC/2020/11 dated January 04, 2021 has specified that since CKYCR is fully operational for individual clients, it has been decided to extend CKYCR to Legal Entities (LE) as well. Accordingly, Registered Intermediaries (RIs) shall upload the KYC records of LE accounts opened on or after April 01, 2021 on to CKYCR in terms of Rule 9 (1A) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.



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Ultimate Beneficial Ownership (UBO)

Pursuant to SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 on anti-money laundering standards and Guidelines on identification of Beneficial Ownership issued by SEBI vide its Circular No. CIR/MIRSD/2/2013 dated January 24, 2013, and any other applicable provisions and circular as issued by SEBI or any other Regulator from time to time, investors (other than Individuals) are required to provide details of Ultimate Beneficial Owner(s) (“UBO(s)”) and submit proof of identity (viz. PAN with photograph or any other acceptable proof of identity prescribed in common KYC form) of UBO.

1. Providing information about beneficial ownership will be applicable to the subscriptions received from all categories of investors except Individuals and a Company listed on a stock exchange or is a majority owned subsidiary of such a Company.
2. Proof of Identity of the UBO such as Name/s, Address & PAN/Passport together with self-attested copy along with the declaration form for ‘Ultimate Beneficial Ownership’ are required to be submitted to the RTA.
3. In case of any change in the beneficial ownership, the investor should immediately intimate the AMC / its Registrar / KRA, as may be applicable, about such changes.

Prevention of Tax evasion

Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States (US) Federal Law, to improve compliance of US tax citizens who have foreign financial assets and offshore accounts. In terms of FATCA, foreign financial institutions (FFIs) are required to report information about financial accounts held by US taxpayers (even if they hold only non-US assets), or held by foreign entities in which US taxpayers hold a substantial ownership interest.

The Government of India and the US Government have signed an Inter-Governmental Agreement (IGA) on July 9, 2015 to implement FATCA. Pursuant to the reporting requirements mandated under FATCA, Zerodha Asset Management Private Limited (the AMC) would be required, from time to time:

- (i) To undertake necessary due diligence process by collecting information/documentary evidence about US/Non-US status of the investors/unit holders and identify US reportable\ accounts; and
- (ii) To disclose/report information about the holdings, investments return pertaining to US reportable accounts to the specified US agencies and/or such Indian authorities as may be specified under FATCA guidelines or under any other guidelines issued by Indian Regulatory Authorities such as SEBI, Income Tax etc. (collectively referred to as ‘the Guidelines’).

FATCA due diligence will be applicable at each investor/unit holder (including joint holders) level and on being identified as reportable person/specified US person, all folios/accounts will be reported including their identity, direct or indirect beneficiaries, beneficial owners and controlling persons. Further, in case



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of folio(s)/account(s) with joint holder(s), the entire account value of the investment portfolio will be attributable under each such reportable person. Investor(s)/Unit holder(s) will, therefore, be required to comply with the request of the AMC/the Fund to furnish such information, in a timely manner as may be required by the AMC/the Fund to comply with the due diligence/reporting requirements stated under IGA and/or the Guidelines issued from time to time.

With respect to individuals, the US reportable accounts would cover those with US citizenship or US residency. One may note that in the US, both US citizens and residents are taxed on their worldwide income. With respect to entities, FATCA requires reporting in relation to specified US persons (Eg. US partnerships, private corporations) as well as passive Non-financial foreign entities (NFFEs) in which controlling interest is held by specified US persons. The identification of US person will be based on one or more of the following “US indicia”:

- Identification of account holder as a US citizen or resident;
- Unambiguous indication of a US place of birth;
- Current US mailing or residence address (including a US post office box)
- Current US telephone number;
- Standing instructions to transfer funds to an account maintained in USA;
- Current effective power of attorney or signing authority granted to a person with a US address; or
- An “in-care of” or “hold mail” address that is the sole address that the Indian Financial Institution has on the file for the account holder.

FATCA provisions are relevant not only at the on-boarding stage of investor(s)/unit holder(s) but also throughout the life cycle of investment with the AMC. In view of this, Investors should immediately intimate to the AMC, in case of any change in their status with respect to FATCA related declaration provided by them previously.

The AMC reserves the right to reject any application or redeem the units held directly or beneficially in case the applicant/investor(s) fails to furnish the relevant information and/or documentation in accordance with the FATCA provisions, notified.

Investor(s)/Unit holder(s) should consult their own tax advisors to understand the implications of FATCA provisions/requirements.

Common Reporting Standard (CRS)

On similar lines as FATCA, the Organization of Economic Development (OECD), along with the G20 countries, of which India is a member, has released a “Standard for Automatic Exchange of Financial Account Information in Tax Matters”, in order to combat the problem of offshore tax evasion and avoidance and stashing of unaccounted money abroad, requiring cooperation amongst tax authorities. The G20 and OECD countries have together developed a Common Reporting Standard (CRS) on Automatic Exchange of Information (AEOI).

The CRS on AEOI was presented to G20 Leaders in Brisbane on 16th November, 2014. On June 3, 2015, India joined the Multilateral Competent Authority Agreement (MCAA) on AEOI. The CRS on AEOI requires the financial institutions of the “source” jurisdiction to collect and report information to their tax



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authorities about account holder's "resident" in other countries, such information having to be transmitted "automatically" annually. The information to be exchanged relates not only to individuals, but also to shell companies and trusts having beneficial ownership or interest in the "resident" countries.

Appropriate rules have been notified to implement CRS and FATCA. In view of India's commitment to implement the CRS on AEOI and also the IGA with USA, and with a view to provide information to other countries, necessary legislative changes have been made through Finance (No. 2) Act, 2014, by amending Section 285BA of the Income Tax Act, 1961. Income tax Rules, 1962 were amended vide notification No. 62 of 2015 dated 7th August, 2015 by inserting Rules 114F to 114H and Form 61B to provide a legal basis for the Reporting Financial Institutions (RFIs) for maintaining and reporting information about the Reportable Accounts.

Stamp Duty

Pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, a stamp duty @ 0.005% of the transaction value would be levied on applicable mutual fund transactions, with effect from July 1, 2020. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including IDCW reinvestment) to the unit holders would be reduced to that extent.

Transmission

Transmission of Units is a process whereby units held by a deceased unitholder are transferred either to the nominee or to the legal heirs of the deceased unitholder as the case may be. The detailed guidelines for Transmission of Units under various situations / scenarios and the forms/formats and supporting documents to be submitted by the claimants under each scenario is provided below:

1. DELETION OF NAMES OF THE DECEASED UNIT HOLDERS IN CASE OF DEATH OF 2ND AND/OR 3RD HOLDER:
 - Request Form (Form T1) from surviving unitholder(s) requesting for Deletion of Name of Deceased 2nd and/or 3rd Holder.
 - Death Certificate in original or photocopy duly attested by a Notary Public or a Gazetted Officer.
 - Fresh Bank Mandate Form along with cancelled cheque of the new bank account (only if there is a change in existing bank mandate)
 - Fresh Nomination Form in case there is no nomination or a change in existing nomination is desired by the surviving unit holders.
 - KYC Acknowledgment OR KYC Form of the surviving unit holder(s), if not KYC compliant.
2. TRANSMISSION OF UNITS TO SURVIVING UNIT HOLDER(S) IN CASE OF DEATH OF THE 1ST HOLDER:
 - Transmission Request Form (Form T2) for Transmission of Units to the surviving unitholder/s.



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- Death Certificate of the deceased unitholder(s) in original OR photocopy duly attested by a Notary Public or a Gazetted Officer.
 - Copy of PAN Card of the Surviving Joint Holder(s) (if PAN is not provided already)
 - Cancelled cheque of the new first unitholder, with the claimant's name pre-printed OR Recent Bank Statement/Passbook (not more than 3 months old) of the new first holder.
 - KYC Acknowledgment OR KYC Form of the surviving unit holder(s), if not KYC compliant.
3. TRANSMISSION OF UNITS TO THE REGISTERED NOMINEE/S IN CASE OF DEATH OF SOLE OR ALL UNITHOLDERS:
- Transmission Request Form (Form T3) for Transmission of Units in favour of the Nominee(s).
 - Death Certificate of the deceased unitholder(s) in original OR photocopy duly attested by a Notary Public or a Gazetted Officer.
 - Copy of Birth Certificate, in case the Nominee is a minor.
 - Copy of PAN Card of the Nominee(s) / Guardian (in case the Nominee is a minor)
 - KYC Acknowledgment OR KYC Form of the Nominee(s) / Guardian (where Nominee is a Minor)
 - Cancelled cheque with the Nominee's name pre-printed OR Copy of the Nominee's recent Bank Statement/Passbook (which is not more than 3 months old).
 - If the transmission amount is upto ₹2 Lakh, Nominee's signature attested by the Bank Manager as per Annexure-Ia. In case the Nominee is a Minor, signature of the Guardian (as per the bank account of the Minor or the joint account of the Minor with the Guardian) shall be attested. If the transmission amount is for more than ₹2 Lakh, as an operational risk mitigation measure, signature of the Nominee shall be attested by a Notary Public or a Judicial Magistrate First Class (JMFC) in the space provided for signature attestation in the TRF itself below the signature of the claimant.
 - Fresh Nomination Form in case there is no nomination or a change in existing nomination is desired by the surviving unit holders.
 - FATCA/CRS from the claimant.
4. TRANSMISSION OF UNITS TO THE CLAIMANT/S ON DEATH OF SOLE UNITHOLDER OR ALL UNITHOLDERS, WHERE THERE IS NO NOMINATION REGISTERED
- Transmission Request Form (Form T3) for Transmission of Units to the Claimant.
 - Death Certificate of the deceased unitholder(s) in original OR photocopy duly attested by a Notary Public or a Gazette Officer.
 - Copy of Birth Certificate in case the Claimant is a minor.
 - Copy of PAN Card of the Claimant / Guardian (in case the Claimant is a minor).
 - KYC Acknowledgment OR KYC Form of the Claimant / Guardian (in case the Claimant is a Minor)
 - Fresh Nomination Form in case there is no nomination or a change in existing nomination is desired by the surviving unit holders.
 - FATCA/CRS from the claimant
 - Cancelled cheque with the claimant's name pre-printed OR Copy of the Claimant's recent Bank Statement/Passbook (which is not more than 3 months old). If the transmission amount is up to ₹2 Lakh –



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- Bank Attestation of signature of the Claimant by the Bank Manager as per Annexure-Ia. In case the Claimant is a Minor, the signature of the Guardian (as per the bank account of the Minor or the joint account of the Minor with the Guardian) shall be attested.
- Any appropriate document evidencing the relationship of the claimant/s with the deceased unitholder/s.
- Bond of Indemnity - as per Annexure-II to be furnished by Legal Heirs for Transmission of Units without production of Legal Representation.
- Provided that in case the legal heir(s)/claimant(s) is submitting the Succession Certificate or Probate of Will or Letter of Administration wherein the claimant is named as a beneficiary, an affidavit from such legal heir/claimant(s) alone would be sufficient; i.e., Bond of Indemnity is not required.
- Individual Affidavits to be given by each legal heir.
- NOC from other Legal Heirs where applicable.
- If the transmission amount is more than ₹2 Lakh –
 - Signature of the Claimant duly attested by a Notary Public or a Judicial Magistrate First Class (JMFC) in the space provided for signature attestation in the TRF itself below the signature of the claimant. In case the Claimant is a Minor, the signature of the Guardian (as per the bank account of the Minor or the joint account of the Minor with the Guardian) shall be attested.
 - Individual Affidavits to be given each legal heir.
 - Any one of the documents mentioned below:
 - ❖ Notarised copy of Probated Will; OR
 - ❖ Succession Certificate issued by a competent court; OR
 - ❖ Letter of Administration or court decree, in case of Intestate Succession.

5. CHANGE OF KARTA UPON DEATH OF THE KARTA OF HINDU UNDIVIDED FAMILY (HUF)

- In the case of a HUF, the property of the HUF is managed by the Karta and the HUF does not come to an end in the event of the death of the Karta. In such a case, the members of the HUF will need to appoint a new Karta, who needs to submit following documents for transmission:
- Request Form (Form T4) for change of Karta upon demise of the registered Karta.
- Death Certificate of the deceased Karta in original OR photocopy duly attested by a Notary Public or a Gazetted Officer.
- Bank's letter certifying that the signature and details of new Karta have been updated in the bank account of the HUF & attesting the Signature of the new Karta as per Annexure-1b.
- KYC Acknowledgement OR KYC Form of the new Karta and the HUF, if not KYC compliant.
- Indemnity Bond to be provided by all surviving coparceners (including new Karta).
- If the transmission amount is upto ₹2 Lakh, any appropriate document evidencing relationship of the new Karta and the other coparceners with the deceased Karta.
- FATCA/CRS
- If the transmission amount is more than ₹2 Lakh, any one of the documents mentioned below –
 - Notarized copy of Settlement Deed, or
 - Notarized copy of Deed of Partition, or
 - Notarized copy of Decree of the relevant competent court.



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6. TRANSMISSION OF UNITS TO THE CLAIMANT/S UPON DEATH OF THE KARTA OF HUF, WHERE THERE IS NO SURVIVING CO-PARCENER OR THE HUF HAS BEEN DISSOLVED/PARTITIONED AFTER DEMISE OF THE KARTA
- Transmission Request Form (Form T5) for Transmission of Units to the Claimant.
 - Death Certificate of the deceased Karta in original OR photocopy duly attested by a Notary Public or a Gazetted Officer.
 - Copy of Birth Certificate in case the Claimant is a minor.
 - Copy of PAN Card of the Claimant(s) / Guardian (in case the Claimant is a minor)
 - KYC Acknowledgment OR KYC Form of the Claimant(s) / Guardian (in case the Claimant is a Minor)
 - Cancelled cheque with the claimant's name pre-printed OR Copy of the Claimant's recent Bank Statement/Passbook (which is not more than 3 months old).
 - FATCA/CRS from the claimant.
 - If the transmission amount is upto ₹2 Lakh, attestation of signature of the claimant by Bank Manager as per Annexure-Ia. In case the claimant is a Minor, the signature of the Guardian (as per the Minor's bank account / Minors joint account with the Guardian) shall be attested.
 - If the transmission amount is for more than ₹2 Lakh, signature of the claimant shall be attested by a Notary Public or a Judicial Magistrate First Class (JMFC) in the space provided for signature attestation in the TRF itself below the signature of the claimant.
 - Bond of Indemnity to be furnished by the Claimant as per Annexure-VI.
 - If the HUF has been dissolved/partitioned by the surviving members after demise of the Karta, the transmission of units should be effected only on the basis of any of the following documents:
 - Notarized copy of Settlement Deed, OR
 - Notarized copy of Deed of Partition, OR
 - Notarized copy of Decree of the relevant competent Court.

Lien Marking

The Units standing to the credit of the Unit holder under the Scheme(s) (subject to completion of Lock-in Period, if any) may be offered by the Unitholder as security in favour of scheduled banks, financial institutions, non banking finance companies (NBFC's) or any other persons ("Lender") subject to applicable SEBI (MF) Regulations and other laws, provided such Lenders are eligible to hold the Units. Upon a specific authorisation request made by the Unitholder (to be provided by all Unitholders, in case the mode of holding is joint or either-or survivor) and completion of necessary documentary formalities, the Registrar will mark a pledge/ lien on the Units in favour of the Lender on the Units as may be requested by the Unitholder. Disbursement/ sanctioning of loans/facilities will be at the sole discretion of the Lender and the Mutual Fund/AMC assumes no responsibility thereof. The Unitholder will not be able to redeem/switch-out the Units that are pledged/ lien marked in favour of the Lender until the Mutual Fund/AMC receives a written authorization/ confirmation from the Lender that the Unitholder has been absolved of the financial obligations and that the pledge / lien may be removed/vacated. As long as the Units are pledged/ lien marked, the Lender will have complete authority to redeem/ transact in respect of such Units. If by enforcing the pledge / lien, the Lender seeks to transfer the Units in its own name, then in such event the Mutual Fund/ AMC shall be obliged to comply with the said request, provided the Lender or such other entity, as the case may be, is eligible to



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hold the units and all the necessary documentary evidence is made available to the satisfaction of the Mutual Fund/AMC. Upon such transfer, the Mutual Fund/AMC shall be discharged of all its liabilities in respect of the Units towards the Unitholder. An intimation of the invocation of the pledge/ lien will be sent to the Unitholder. The Mutual Fund/AMC thereafter shall not be responsible for any claims made and/or losses incurred by the Unitholder and/or any third party in this regard. The Mutual Fund/AMC reserves the right to change the operational guidelines for this facility offered by the AMC from time to time.

III. RIGHTS OF UNITHOLDERS OF THE SCHEME

- Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
- When the Mutual Fund declares a IDCW under the Scheme/ Plan, the IDCW payment shall be made to the Unitholders within 07 working days of the record date of such declaration of IDCW. In the event of failure of pay-out of IDCW within the stipulated 07 working days period, the AMC shall be liable to pay interest @ 15% per annum to the Unitholders for the delay in payment as computed from the Record Date or from such other date or for such period as may be advised by SEBI from time to time.
- On acceptance of a valid application/transaction request for subscription, an allotment confirmation specifying the number of units allotted by way of email and/or SMS within 5 Business Days from the date of receipt of application / transaction request/ closure of New Fund Offer shall be sent to the Unit holders' registered email address and/ or mobile number.
 - (a) For unitholders having any security in dematerialised form and having Mutual Fund (MF) folios:
 - 1) The depositories shall dispatch the Securities Consolidated Account Statement (SCAS) within ten days from the month end where there are transactions either in MF or Demat account based on the data provided by MF Registrar & Transfer Agent (RTA) in respect of MF units;
 - 2) In case of no transactions in either MF or demat accounts, SCAS shall be sent on a Half-yearly basis showing the holding details by the Depositories.
 - (b) For investors having only mutual fund folios and no demat account a Consolidated Account Statement (CAS) shall be sent within ten days from the month end where there are transactions by mail/e-mail by the AMC/RTA.
 - (c) Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 10th day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable.
 - (d) Half yearly CAS will not be sent to those Unit holders who do not have any holdings in the schemes of mutual fund and where no commission against their investment has been paid to distributors, during the concerned half-year period.

In case of non-availability of PAN, AMC shall send a monthly account statement for any financial transactions undertaken during the month on or before 10th day of the succeeding month by email and Half Yearly Statement of holding, if there are no transactions in the folio.



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Units held in demat or physical mode (other than the being held/ issued in physical certificate form) are freely transferable. If an applicant desires to transfer Units held in physical mode for e.g. in statement of account form, the AMC shall, upon receipt of valid and complete request for transfer together with the relevant documents, register the transfer within 30 days. Provided that the transferor(s) and the transferee(s) will have to comply with the procedure for transfer as may be laid down by the AMC or as required under the prevailing law from time to time including payment of stamp duty for transfer of Units, etc. Units held in Demat form are transferable in accordance with the provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

In case of Unitholders holding units in demat (electronic) mode, a demat statement will be sent by Depository Participant to the Unitholders. For more details please refer to Section 'Account Statements' in 'Scheme Information Document' of the respective scheme(s) of Zerodha Mutual Fund.

The first-named Unit holder shall receive the account statements, all notices and correspondence with respect to the account, as well as the proceeds of any Redemption requests or IDCW or other distributions. In addition, such holders shall have the voting rights, as permitted, associated with such Units as per the applicable guidelines.

- As per SEBI (MF) Regulations, the Mutual Fund shall dispatch Redemption proceeds within 03 Business Days from the date of redemption request. A penal interest of 15% p.a. or such other rate as may be prescribed by SEBI from time to time, will be paid in case the Redemption proceeds are not made within 03 Business Days of the date of Redemption request. For more details please refer to Section 'Redemption' in 'Scheme Information Document' of the respective scheme(s) of Zerodha Mutual Fund. **(Standard Observation 9)**
- The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep them informed about any information known to the Trustee which may have a material adverse bearing on their investments.
- The appointment of the AMC for the Mutual Fund can be terminated by the majority of the directors of the Trustee or by 75% of the Unit holders of the Scheme. **(Standard Observation 8)**
- 75% of the Unit holders of a Scheme can pass a resolution to wind-up a Scheme.
- The Trustee shall obtain the consent of the Unit holders:
 - whenever required to do so by SEBI, in the interest of the Unit holders.
 - whenever required to do so on the requisition made by three-fourths of the Unit holders of the Scheme.
 - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
- The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless:
 - a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English 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 Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.



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- In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI. **(Standard Observation 12)**
- no amendments to the trust deed shall be carried out without the prior approval of SEBI and unitholders approval would be obtained where it affects the interests of unitholder. **(Standard Observation 6)**

IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS:

SEBI vide Gazette Notification no. LAD-NRO/GN/2011-12/38/4290, dated February 21, 2012 amended Regulation 47 of the SEBI (Mutual Funds) Regulations, 1996 (“the Regulations”) and the Eighth Schedule of the Regulations, relating to valuation of investments.

The amended Regulations require that mutual funds value their investments in accordance with principles of fair valuations so as to ensure fair treatment to all investors i.e. existing investors as well as investors seeking to subscribe or redeem units.

It further prescribes that the valuation shall be reflective of the realizable value of securities and shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures approved by the board of the asset management company.

Further, in the event of any conflict between the principles of fair valuation and valuation guidelines prescribed by SEBI under the Regulations, the principles of fair valuation shall prevail.

In order to ensure transparency of valuation norms to be adopted by the Zerodha Asset Management Private Limited (“AMC”) it is mandated by SEBI for the AMC to disclose their valuation policy and procedures as approved by the Board of the AMC on the website of the AMC/Mutual Fund, etc. It is in this context that this Investment Valuation Policy & Procedures is prepared and disclosed for the benefit of investors. This Investment Valuation Policy & Procedures is subject to review and change from time to time.

Based on the said amendment by SEBI, the Board of the Zerodha AMC and Trustee has adopted a comprehensive policy on Investment Valuation and Procedures. Accordingly, the disclosure inter-alia of the security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of Zerodha Mutual Fund is given below:

Principles, Policy, Procedure & Methodology for valuation of securities/assets

- The AMC shall adopt the principle of fair valuation i.e. valuation will be done in good faith and in true and fair manner to reflect the net realizable value of the securities /asset as determined by Valuation Committee. Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events. The Board of Directors of the AMC and the Trustee Company Private Limited have authorized the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events.



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- Detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of Mutual Fund Company is described in Note 1.
- The Board of Asset Management Company Limited and Trustee Company Limited (“Trustee”) shall approve the valuation methodologies for any investments in new securities/assets.
- The investments held by schemes of the Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation as detailed above and valuation guidelines specified by SEBI from time to time, the Principles of Fair Valuation shall prevail.

Inter scheme Transfers

Transfer of securities through inter-scheme shall be at the market price or fair valuation price. The methodology to determine the fair valuation of securities which are intended to be transferred from one scheme to another is as under:

Security Type	Inter Scheme Policy
Listed Equity Shares	Inter scheme to be done on latest quote for a particular security on Bloomberg, Reuters, etc.
Debt & Money Market Securities (Government Securities/ Treasury bills/ Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/ Bills/Floating rate securities/)	i. IST of Securities will be done as per the average prices provided by AMFI approved agencies currently CRISIL & ICRA ii. If prices from the valuation agencies are received within the pre-agreed TAT as per AMFI, an average of the prices so received shall be used for IST pricing. iii. If price from only one valuation agency is received, that price may be used for IST pricing. iv. If prices are not received from any of the valuation agencies, AMC may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996

Exceptional events

The Valuation Committee is authorized by the Board of AMC and Trustee to determine the exceptional events and devise the process to deal with the exceptional events.

Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events. The illustrative list of exceptional events is provided in Note 1.

Conflict of Interest

The implementation of valuation policy and methodologies as adopted / authorized by the Board of AMC and Trustee shall be subject to review by Valuation Committee. The Valuation Committee will be



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responsible for addressing areas of conflict of interest and therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of AMC and Trustee.

Deviation

Investments shall be valued as per the methodologies mentioned in this Policy, which aim to enable true and fair valuation of securities. However, if the valuation of any particular asset/ security does not result in a fair valuation or under exceptional circumstances, the Valuation Committee would have the right to deviate from the established policies in order to value the asset/security at fair/appropriate value. Such deviations shall be appropriately disclosed to the Investors as may be decided by the Valuation committee.

In case the AMC decides to deviate from the valuation price given by the valuation agencies:

- a. the detailed rationale for each instance of deviation shall be recorded by the AMC;
- b. the instances of deviation and the rationale along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued and the impact of such deviation on scheme NAV (in amount and percentage) will be informed to the Boards of the AMC & Trust Company; and
- c. such rationale along with the details mentioned above will be disclosed immediately and prominently on the website of the AMC under a separate head.

Record Maintenance

The AMC shall maintain and preserve documentation for valuation (including inter scheme transfers) either in electronic or physical form for a period of 8 years or such period as prescribed by the SEBI Regulations and guidelines from time to time.

Periodic Review

In order to ensure the appropriateness and accuracy of the methodologies as mentioned above and its effective implementation, a review at regular intervals as specified by the Valuation Committee shall be carried out by the Internal Auditors. The said report shall be placed before the Audit Committee of the Board of AMC and Trustee.

Further, the valuation policies and procedures will be reviewed at least once in a Financial Year by the Statutory Auditor.

Disclosure

In order to ensure transparency of valuation norms adopted by AMC, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI), on the website of the Company and at any other place as may be specified by SEBI.

Waterfall Mechanism for valuation of money market, debt and government securities:



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SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 has laid down broad principles for considering the traded yields for valuation of Debt, money market and government securities. The said circular prescribes AMFI shall ensure valuation agencies have a documented waterfall approach for valuation of Debt & money market securities.

The extract from AMFI best practices circular (135/BP/83/2019-20) dated November 18, 2019 pertaining to the waterfall mechanism is as under:

Part A: Valuation of Money Market and Debt Securities other than Government Securities (“G-Secs”):

1. Waterfall Mechanism for valuation of money market and debt securities:

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities.

- i. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN;
- ii. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below);
- iii. VWAY of secondary trades of same issuer, similar maturity;
- iv. VWAY of primary issuances through fixed price auction of same issuer, similar maturity;
- v. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below);
- vi. VWAY of secondary trades of similar issuer, similar maturity;
- vii. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity;
- viii. Construction of matrix (polling may also be used for matrix construction);
- ix. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3



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All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

- 1) Monetary/Credit Policy
- 2) Union Budget
- 3) Government Borrowing/ Auction Days
- 4) Material Statements on Sovereign Rating
- 5) Issuer or Sector Specific events which have a material impact on yields
- 6) Central Government Election Days
- 7) Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Upto 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 1 month to 3 months	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

- a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90



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days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.

- b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.
 - c. The changes / deviations mentioned in clauses (a) and (b) above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.
3. Process for determination of similar issuer

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem, or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

- i. Issuers within same sector/industry and/or
- ii. Issuers within same rating band and/or
- iii. Issuers with same parent/ within same group and/or
- iv. Issuers with debt securities having same guarantors and/or
- v. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at the same level or replicate each other's movements are used in the waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

4. Recognition of trades and outlier criteria

- i. Volume criteria for recognition of trades (marketable lot)
Paragraph 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, marketable lot is defined as under. The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 cr for both Bonds/NCD/CP/ CD and other money market instruments



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Secondary	NR 25 cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCD/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

- Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.
- The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.
- Potential outlier trades which are identified through objective criteria defined below will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.
- The following criteria shall be used by valuation agencies in determining Outlier Trades:

Liquidity classification	Bps Criteria (Yield movement over Previous Day yield after accounting for yield movement of matrix)		
	Up to 15 days	15-30 days	Greater than 30 days
Liquid	30 bps	20 bps	10 bps
Semi-Liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

- In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.



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Liquidity classification criteria – Liquid, semi-liquid and Illiquid definition

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria:

- a. Trading Volume
- b. Spread over reference yield

Such criteria shall be reviewed on a periodic basis in consultation with AMFI.

Trading Volume (Traded days) based criteria:

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter.

- Liquid = 50% of trade days
- Semi liquid = 10% to 50% trade days
- Illiquid = <10 % of trade days

Spread based criteria:

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid.

Type of security	Spread for Liquid	Spread for Semi Liquid	Spread for Illiquid	Spread computation
Bonds	Upto 15 Bps	>15 - 75 Bps	> 75 Bps	Note 1
CP / CD	Upto 25 Bps	>25 - 50 Bps	> 50 Bps	Note 2

Note 1: spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix

Note 2: spread is computed as average spread of issuer over A1+/AAA CD Bank matrix

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

5. Process for construction of spread matrix

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix.



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<p>Step 1</p>	<p>Segmentation of corporates – The entire corporate sector is first categorized across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket:</p> <ol style="list-style-type: none">1. Public Sector Undertakings/Financial Institutions/Banks.2. Non-Banking Finance Companies-except Housing Finance Companies.3. Housing Finance Companies.4. Other corporates.
<p>Step 2</p>	<p>Representative issuers – For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating (i.e. "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector.</p> <p>It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on</p>
<p>Step 3</p>	<p>Calculation of benchmark curve and calculation of spread –</p> <ol style="list-style-type: none">1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above.2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector.3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer.5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given



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Step 4	<ol style="list-style-type: none">1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances.2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered.3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.
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Part B: Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL)

The following is the waterfall mechanism for valuation of Government securities:

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quote, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

Guidelines on Polling Process for Money Market and Debt Securities:

The Guidelines on polling issued by AMFI in consultation with SEBI are as under:

Polling Guidelines:

1. Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of the investment universe may not be considered as an adequate reason for not participating in the polling process.
2. Polling will be carried out on a daily basis by the valuation agencies, in terms of points 9-11 below.
3. Each valuation agency needs to take polls from at least 5 unique Mutual Funds on a daily basis. Hence, between the two valuation agencies 10 unique Mutual Funds to be polled. They may cover more Mutual Funds, over and above this. For benchmark securities a poll constituting at least 5



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responses will be considered as valid. In case of non-benchmark securities a poll constituting at least 3 responses will be considered as valid. The responses received by each valuation agency will be shared with the other agency also.

4. Median of polls shall be taken for usage in the valuation process.
5. The valuation agencies will also need to cover as many non- Mutual Fund participants as possible, over and above the Mutual Funds, to improve on the polling output quality.
6. Endeavour would be made to have adequate representation of both holders and non-holders of the same bond/same issuer for non-benchmark securities in the poll process. Where this is not possible, valuation agencies may seek polls from holders of bonds with a similar structure.
7. In the case of issuers with multiple notch rating upgrades / downgrades over short periods of time, valuation agencies shall:
 - a. Conduct polls with a larger universe of pollers.
 - b. Increase the frequency of polling
8. Suo moto feedback on valuations should be entertained only through formal mails from persons designated by AMC for said purpose, and the same shall be validated through repolling. Any such feedback shall be duly recorded by the valuation agencies, including the reason for the challenge, results of repolling and subsequent changes in valuation on re-polling, if any. Such records shall be preserved by the valuation agencies, for verification.
9. Polling will be done for two sets of securities, Benchmark & Others.
10. Benchmark will be defined for the following categories across tenors.
 - a. Treasury Bills
 - b. Central Government Securities
 - c. State Government Securities
 - d. AAA PSU / PFI / PSU Banks
 - e. AAA Private
 - f. NBFC
 - g. HFC
 - h. Any other as required for improving fair valuation.
11. Polling shall be conducted in the following two scenarios:
 - a. Validation of traded levels if they are outlier trades.
 - b. Non traded Securities (in exceptional circumstances as defined in the waterfall mechanism for valuation of money market and debt securities).
12. Best efforts should be made by poll submitters to provide fair valuation of a security.
13. The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
14. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects.
 - a. the process of participating in a polling exercise.
 - b. identify the roles and responsibilities of persons participating in the polling.
 - c. include policies and procedures for arriving at the poll submission
 - d. cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.



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- e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.
 - f. AMC's should have adequate business continuity arrangements for polling, with the necessary infrastructure / skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.
15. All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
 16. AMC's shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of point no. 14 above, shall also be personally liable for any misuse of the polling process.
 17. AMC's shall maintain an audit trail for all polls submitted to valuation agencies.

Guidelines for Valuation of Bonds (AT 1 Bonds and Tier 2 Bonds)

1. Currently, a bond is considered traded, if there is at least one trade in the market lot in that particular ISIN. If the bond does not get traded there is a defined waterfall mechanism for valuation of that bond as per AMFI Best Practice Guideline circular no. NO.83 / 2019-20 dated November 18, 2019.
2. The said waterfall requires grouping of the same issuer with similar maturity and similar issuers with similar maturity. However, in case any ISIN of issuer has not traded, the valuation of AT-1 Bonds is currently done based on adjusting spread directly to the benchmark security.
3. In order to improve existing valuation of these bonds and implement the defined waterfall, following is being done:
 - I. Form two types of ISINs:
 - a) Benchmark ISINs (a non-benchmark ISIN can be linked to only one benchmark ISIN. Currently, SBI ISINs happens to be the benchmark ISINs across all maturities for AT-1 Bonds.)
 - b) Non-benchmark ISINs (Will be divided into multiple groups based on similar issuer and similar maturity).
 - c) The groups will be decided in consultation with valuation agencies. The two main criteria envisaged to be used here would be Tier 1 / Tier 2 ratings of the ISINs / Issuers, and the spread range in which the group of ISINs / Issuer's trade over the benchmark.
 - II. Take a look back period for trade recognition as under:
 - a) 15 working days for benchmark ISINs
 - b) 30 working days for non-benchmark ISINs
 - c) This will be revised to 7 working days for benchmark ISIN and 15 working days for non-benchmark ISINs from October 01, 2021.
4. If the ISIN gets traded, the traded YTM will be taken for the purpose of valuation. Further, if 1 ISIN of the issuer trades all other ISINs of issuers will be considered as traded but with necessary adjustment of spread to YTM. If none of the ISIN of the issuer gets traded, the trade of similar issuer in the group will be taken to valuation however with necessary adjustment of spread to YTM of similar issuer maturity. If none of the ISIN in a group gets traded on any particular day, an actual



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trade in a look back period will be seen. If there is an actual trade in the look back period the security will be considered as traded and valued with necessary adjustment of spread to YTM. According to this valuation will be done based on the trade of issuer, trade of similar issuer and as an additional layer a look back period is requested. It is confirmed that spread over YTM will be taken without any adjustment of modified duration to call.

5. Further, as the valuation is based on trade during the look back period, it is confirmed that a spread is adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
6. However, if there is no actual trade of any ISIN of the issuer as well as similar issuer during look back period, the valuation will be done by taking spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.
7. Maturity of 100 years will be adopted for perpetual bond issued by banks. There will be a glide path for these bonds as indicated below. The Deemed Residual Maturity for the Purpose of Calculation of valuation as well as Macaulay Duration for existing as well as new perpetual bonds issued:

Time Period	Deemed Residual Maturity (Years)
Till March 31, 2022	10
April 01, 2022 – September 31, 2022	20
October 01, 2022 – March 31, 2023	30
March 31, 2023 onwards	100

the residual maturity will always remain above the deemed residual maturity proposed above.

8. Valuation methodology, as mentioned above, for AT-1 Bonds is to be followed for the valuation of tier II bonds also. Further, the Macaulay Duration is proposed to be calculated as under for Tier II bonds:

Time Period	Deemed Residual Maturity for all securities (Years)
April 01, 2021 – March 31, 2022	10 years or contractual maturity whichever is earlier
April 01, 2022 onwards	Actual Maturity

9. Besides, AT-1 bonds and Tier 2 bonds being different categories of bonds, the valuation of these bonds will be done separately (i.e.) ISIN of AT-1 bond traded will not mean that ISIN of Tier-2 bonds of the same issuer have also traded. However, if any issuer does not exercise call option for any ISIN, then the valuation and calculation of Macaulay Duration should be done considering maturity of 100 years from the date of issuance for AT-1 Bonds and Contractual Maturity for Tier 2 bonds, for all ISINs of the issuer.
10. It is confirmed that the Macaulay Duration of ISINs will be calculated based on the deemed residual maturity proposed in para 7 and 8 above to reflect the duration risk.



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11. Further, henceforth mutual funds will disclose both Yield to Call and Yield to Maturity.

NOTE 1

Equity & Equity Related Instruments

Security Type	Valuation Policy
Traded Equity and Equity Related securities and Preference Shares	<p>Traded securities shall be valued at the last quoted closing price on the principal stock exchange. The AMC has selected the National Stock Exchange (NSE) as principal stock exchange, for all schemes other than Index based Funds/ETF, which invest in domestic equity and equity related securities/ preference shares. For index-based schemes/ETF the Principal stock exchange would be the exchange where the underlying benchmark index has been set up. If no trade is reported on the principal stock exchange on a particular valuation date, traded securities shall be valued at the last quoted closing price on other recognised stock exchange. For this purpose, only NSE and BSE shall be considered as the recognized stock exchanges.</p> <p>When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day shall be used provided such date is not more than thirty days prior to the valuation date.</p> <p>In case the security is traded in periodic call auction session, the security shall be valued as per last quoted closing price of such periodic call auction session.</p>
Thinly Traded / Non-Traded	<p>When a security (other than Futures & Options) is not traded on any recognized stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non-traded' security.</p> <p>Futures & Options are considered as Non-Traded, when such Futures & Options are not traded on respective stock exchange as on valuation date.</p> <p>Equity / equity-related security (other than Futures & Options) shall be considered to be thinly traded when the value of the trades of that security in a month is less than Rs. 5 lacs by value and the total volume of the trades in that security is less than 50,000 shares. In order to determine whether a security is thinly traded, the volumes traded in BSE and NSE shall be considered.</p>



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<p>Non-Traded / Thinly Traded Equity Shares</p>	<p>Thinly Traded / Non-traded equity shares shall be valued as below:</p> <p>(a) Based on the latest available Balance Sheet, the net worth shall be calculated as follows:</p> <p>Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by number of Paid-up Shares.</p> <p>(b) Average capitalisation rate (P/E ratio) for the industry based on NSE or BSE data, shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts shall be considered for this purpose.</p> <p>(c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.</p> <p>(d) If the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earnings.</p> <p>(e) Where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.</p> <p>(f) Where an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total net assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme on the date of valuation shall be taken into account.</p> <p>In order to ensure fair valuation, the AMC, after providing suitable justification to and due approval from the Valuation Committee, may decide to value non-traded/thinly traded equity share at a price lower than the value derived using the aforesaid methodology.</p>
<p>Unlisted Equity shares:</p>	<p>Unlisted equity shares of a company shall be valued on the basis of the valuation principles given below:</p> <p>(a) Based on the latest available audited balance sheet, net worth shall</p>



be calculated as lower of (i) and (ii) below:

- i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off, deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.
- ii. After taking into account the outstanding warrants and options, net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off, deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of paid up shares plus number of shares that would be obtained on conversion/exercise of outstanding Warrants and Options}

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

- (c) Average capitalisation rate (P/E ratio) for the industry based on NSE or BSE data shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

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

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



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	<p>scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.</p> <p>In order to ensure fair valuation, the valuation committee of the AMC may decide to value an unlisted equity share at a price lower than the value derived using the aforesaid methodology.</p>
Valuation of Partly Paid-up Equity Shares	<p>Valuation of Partly Paid-up Equity Shares</p> <p>(a) <u>Traded Partly Paid-up Equity Shares</u> - In case the partly paid-up equity shares are traded in the market separately, the partly paid-up equity shares would be valued at last quoted closing price. (like any other Equity instrument).</p> <p>(b) <u>Non-Traded /Suspended /Thinly Traded Partly Paid-up Equity Shares</u></p> <p>(i) Such partly paid-up equity shares shall be valued at its last quoted closing price provided the date of last quoted closing price is not more than 30 days prior to the valuation date.</p> <p>(ii) In the event the last quoted closing price is more than 30 days prior to the valuation date, the partly paid-up equity shares shall be valued at value of the underlying fully paid- up equity shares as reduced by the amount of balance call money payable on partly paid-up equity shares. Suitable illiquidity discount, if deemed necessary, shall be applied with approval from the Valuation Committee.</p> <p>(c) <u>Unlisted Partly Paid-up Equity Shares</u></p> <p>Such partly paid-up equity shares shall be valued at value of the underlying fully paid-up equity shares as reduced by the amount of balance call money payable. Suitable illiquidity discount, if deemed necessary, shall be applied with approval from Valuation Committee.</p> <p>Further, after reviewing the valuation of such partly paid-up equity shares, if the prices as per the above methodology does not represent fair price or in case necessary details to value the partly paid-up equity shares are not available, the Valuation Committee will determine fair value based on available information.</p>
Equity and Equity related Securities awaiting listing (Merger/Demerger)	<p>Valuation of the merged entity shall be arrived at based on the previous day's last quoted closing price of the respective companies prior to merger.</p> <p>Where the demerged company is not immediately listed, valuation price shall be worked out by using previous day's last quoted closing price before demerger reduced for last quoted closing price of the listed company.</p>



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	<p>Where none of demerged company is immediately listed, the shares of new companies shall be valued by allocating combined valuation existing as on date of the corporate action to the new companies after taking into consideration the pro-rata shares allotted and other relevant factors.</p>
Corporate Actions- Stock Split/Face Value Change and Buy-Back of Securities	<p>Stock Split/ Face value change In case of stock split, the face value of a stock is reduced and proportionately the number of shares is increased. The valuation price will be derived on the basis of the closing price before the ex-date and adjusted in proportion to stock split, till the new stock split shares are listed and traded on a stock exchange. The cost of one share will be proportionately adjusted in line with stock split change, to derive the new cost of share. On stock split/face value change, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted.</p> <p>Buy-back of Securities If a company offers to buy-back hundred percent of the shares tendered then shares will be valued at the price of buy-back and ignoring the market price. Else, market price of the shares will be considered for valuation till formal confirmation of acceptance of shares tendered under the buy-back schemes. Quantum of shares accepted under buy-back will be accounted as a sale trade.</p>
Equity and Equity related securities under lock-in period / pending listing	<p>These shall be valued based on the last quoted closing price of security after applying a suitable discount for illiquidity. The Valuation Committee shall decide on the illiquidity discount to be applied, on a case-to-case basis.</p>
Suspended equity Securities	<p>In case trading in an equity security is suspended up to 30 days, then the last quoted closing price should be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Valuation Committee shall decide the valuation norms to be followed and such norms should be documented and recorded.</p>
Investments in Equity or Equity related Securities proposed to be listed (Pre-Public Offering)	<p><u>Pending listing</u> Such securities shall be valued as below:</p> <ul style="list-style-type: none">(i) at cost, upto 2 months from the date of allotment.(ii) Valued as unlisted equity shares after 2 months.
Initial Public	<p>These shall be valued as below:</p>



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Offering ('IPO') application	(i) Prior to allotment – at Bid Price. (ii) Post allotment but awaiting listing – at allotment price
Value of non traded "Rights" Entitlement	<ul style="list-style-type: none">- Until they are traded, the value of the 'right' entitlement should be valued based on difference between ex-rights price of underlying security and rights offer price as detailed below: $V_r = n/m \times (P_{ex} - P_{of})$ Where V_r = Value of rights n = No. of rights offered m = No. of original shares held P_{ex} = Ex-rights price P_{of} = Offer price- Where the rights are not treated pari passu with the existing shares, suitable adjustment should be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights should be valued at the renunciation value.- In case the rights offer price is greater than the ex-rights price, the value of the rights share is to be taken as zero.
Non-traded preference shares	<p>The value of convertible preference shares would be arrived at based on the intrinsic value of the preference shares considering the conversion ratio as adjusted for illiquidity discount and other relevant factors as applicable as on the valuation date with the approval of Valuation Committee.</p> <p>Non- convertible preference shares are more akin to debt and to be valued as debt securities at an applicable market yield for the similar duration and rating as approved by the Valuation Committee.</p>



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Non-traded Convertible debentures	<p>In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional should also be factored in.</p> <p>The appropriate discount applied shall be approved by the Valuation Committee.</p> <p>The valuation of optional conversion shall be determined as follows-</p> <ul style="list-style-type: none">- If the option to exercise rests with the issuer, the lower of the value when exercised or value when not exercised shall be taken.- If the option to exercise rests with the investor, the higher of the value when exercised and when not exercised shall be taken. The valuation shall be approved by the Valuation committee.
Non-Traded Warrants	<p>In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant after applying suitable discount for illiquidity.</p>
Futures and Options	<p>Futures and Options are valued based on settlement price / any other equivalent price provided by the respective stock exchange.</p>
Foreign Securities (other than units of overseas mutual funds)	<p>These shall be valued as below:</p> <ul style="list-style-type: none">- Foreign securities shall be valued based on the last quoted closing prices at the Overseas Stock Exchange on which the respective securities are listed. However, the AMC shall select the appropriate stock exchange at the time of launch of a scheme in case a security is listed on more than one stock exchange and the reasons for the selection will be recorded in writing. Any subsequent change in the reference stock exchange used for valuation will be necessarily backed by reasons for such change being recorded in writing by the AMC. However, in case of extreme volatility in other markets post the closure of the relevant markets, the AMC shall value the security at suitable fair value.- When on a particular valuation day, a security has not been traded on



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	<p>the selected stock exchange; the value at which it is traded on another stock exchange or last quoted closing price on documented stock exchange shall be used provided such date is not more than thirty days prior to the valuation date.</p> <ul style="list-style-type: none"> - Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAV for a Valuation Day, the AMC may use the last available traded price/ previous day's price for the purpose of valuation. The use of the closing price / last available traded price for the purpose of valuation will also be based on the practice followed in a particular market. - On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the RBI reference rate as at the close of banking hours on the relevant business day in India. If required the AMC may change the source for determining the exchange rate. - Non-traded ADR/ GDRs shall be valued after considering prices/ issue terms of underlying security. Valuation committee shall decide the appropriate discount for illiquidity. Non traded foreign security shall be valued by AMC at fair value after considering relevant factors on case to case basis.
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Debt, Money Market and Government Securities

Security Type	Valuation Policy
Debt and Money market Securities	<p>Debt and Money Market securities will be valued at the average prices provided by AMFI approved agencies.</p> <p>In case of price being available from only one agency, the same will be considered for valuation.</p> <p>In case of non-availability of prices from AMFI approved agencies-</p> <ul style="list-style-type: none"> ● Traded (Own) securities will be valued at weighted average traded price /yield on the date of trade. ● Non-traded securities will be at the fair value as per procedures determined by the Valuation Committee.
Government Securities	<p>All Government securities (including T-bills), irrespective of residual maturity, shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI.</p> <p>In case necessary details to value government securities (including T-bills) are not available, the valuation committee will determine fair value based on available information.</p>



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All money market and debt securities which are rated below investment grade shall be valued at the price provided by the agency(ies) appointed by AMFI.

From the date of the credit event till such time the agency(ies) appointed by AMFI compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts as mentioned in the Investment Valuation Policy and Procedures of Zerodha Mutual Fund. Where such securities are traded (as per the minimum lot size determined by the agency(ies) appointed by AMFI) during the interim period from the date of the credit event and receipt of valuation price and if such trade price is lower than the price post standard haircut then the traded price will be considered for such valuation till valuation price is determined by the agency(ies) appointed by AMFI.

In case of trades after the valuation price is computed by the agency(ies) appointed by AMFI as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

The AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the agency(ies) appointed by AMFI by recording detailed rationale for such deviation with the approval of Valuation Committee.

While valuing debt, government and money market securities, following additional points would be considered:

Security Type	Valuation Policy
Valuation of securities with Put/Call Options	<p>Securities with call option</p> <p>a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.</p> <p>Securities with Put option</p> <p>a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.</p> <p>Securities with both Put and Call option on the same day</p> <p>Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put /</p>



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	<p>call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis:</p> <ol style="list-style-type: none"> 1. Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price. 2. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price. 3. In case no Put Trigger Date or Call Trigger Date ("Trigger Date") is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date. <p>If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.</p>
Bank Fixed Deposit	Valued at Cost
TREPS / Reverse Repo (including Corporate Bond Repo)	<p>(i) with residual maturity of up to 30 days: shall be valued based on amortization on a straight-line basis to maturity, from</p> <ol style="list-style-type: none"> a. cost or b. last valuation price (where the original maturity is more than 30 days), as applicable. <p>(ii) with residual maturity of over 30 days: shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI. Where any scheme of Mutual Fund has purchased such securities and the security level price from the agency(ies) appointed by AMFI is not available on that day, such securities shall be valued at weighted average purchase yield on that day and till the day preceding the next business day.</p> <p>In case the prices are not available from the agency(ies) appointed by AMFI for days other than as covered in (ii) above or where necessary details to value such securities are not available, the valuation committee will determine fair value based on available information.</p>

Other securities

Security Type	Valuation Policy
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Market Linked Debentures	<p>Shall be valued based on average of security level prices as provided by the agency(ies) appointed by AMFI.</p> <p>Further, after reviewing the valuation of such Security, if the prices as per the above methodology does not represent fair price or in case necessary details to value the same are not available, the valuation committee will determine fair value based on available information.</p>
Interest Rate Swap (IRS) / & other OTC derivatives	<p>Shall be valued based on average of prices as provided by the agency(ies) appointed by AMFI.</p> <p>Where any IRS is purchased/entered by any scheme of Mutual Fund and the price from the agency(ies) appointed by AMFI is not available on that day, such IRS shall be valued, at net present value on that day and till the day preceding the next business day on the basis of expected future cash flows. Future cash flows for IRS contract will be computed daily based as per terms of contract and discounted by suitable OIS rates available on Reuters/ Bloomberg/ any other provider as approved by valuation Committee.</p> <p>Further, after reviewing the valuation of IRS/other OTC derivatives, if the prices as per the above methodology does not represent fair price or in case necessary details to value the same are not available, the valuation committee will determine fair value based on available information.</p>
Interest Rate Futures	<p>Interest Rate Futures shall be valued at day end settlement price / any other equivalent price provided by the stock exchange.</p>
Gold of 0.995 fineness	<p>The gold acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under:</p> <ol style="list-style-type: none">The London Bullion Market Association's (LBMA) AM fixing price per troy ounce would be considered.The Cost, Insurance, Freight premium, LBMA fixing charges and other charges, as applicable, shall be added to the above LBMA price as determined above.The value arrived at based on (a) and (b) above shall then be converted to the equivalent price for 1 kilogram gold of 0.995 fineness by applying the conversion factor.The RBI reference rate shall be applied to convert the price from US dollars to Indian Rupees.Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of gold after adjusting for eligible input tax credit.



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	<p>If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday or any other reason, then the immediately previous day's prices shall be applied for the purpose of calculating the value of gold.</p>
Gold of 0.999 fineness	<p>The gold acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under:</p> <ol style="list-style-type: none">The London Bullion Market Association's (LBMA) AM fixing price per troy ounce would be considered.The Cost, Insurance, Freight premium, LBMA fixing charges and other charges, as applicable, shall be added to the above LBMA price as determined above.The value arrived at based on (a) and (b) above shall then be converted to the equivalent price for 1 kilogram gold of 0.999 fineness by applying the conversion factor.The RBI reference rate shall be applied to convert the price from US dollars to Indian Rupees.Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of gold after adjusting for eligible input tax credit. <p>If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday or any other reason, then the immediately previous day's prices shall be applied for the purpose of calculating the value of gold.</p>
Silver of 0.999 fineness	<p>The silver acquired by the scheme is in the form of standard bars and its value as on a particular day is determined as under:</p> <ol style="list-style-type: none">The London Bullion Market Association's (LBMA) AM fixing price per troy ounce would be considered.The Cost, Insurance, Freight premium, LBMA fixing charges and other charges, as applicable, shall be added to the above LBMA price as determined above.The value arrived at based on (a) and (b) above shall then be converted to the equivalent price for 1 kilogram silver of 0.999 fineness by applying the conversion factor.The RBI reference rate shall be applied to convert the price from US dollars to Indian Rupees.Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of silver after adjusting for eligible input tax credit. <p>If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday or any other reason, then the immediately previous day's</p>



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	prices shall be applied for the purpose of calculating the value of silver.
Units of Mutual Fund (domestic)	<p><u>Traded:</u> Traded units of mutual fund shall be valued based on the last quoted closing price on the stock exchange.</p> <p><u>Non-Traded:</u> If units are not traded on a day the same shall be considered as non- traded units. Non traded units shall be valued based on latest declared NAV per unit of respective underlying schemes.</p>
Mutual Fund Units (Overseas)	Last Published NAV
Units of InvITs / REITs	<p>I. Allotted but Listing awaited</p> <p>(i) Valuation of units of InvIT and REIT post allotment but awaiting listing- at allotment price.</p> <p>II. Listed and Traded/Non- Traded</p> <p>a) Where units of InvIT and REIT are listed but not traded after initial listing, valuation will be determined by the Valuation Committee based on the principles of fair valuation.</p> <p>b) Valuation of units of InvIT and REIT will be based on the last quoted closing price on the principal stock exchange where such security is listed. The AMC has selected NSE as principal stock exchange, for all schemes other than Index based Funds/ETF. For index-based schemes/ETF, the Principal stock exchange would be the exchange where the underlying benchmark index has been set up. If no trade is reported on the principal stock exchange on a particular valuation date, units of InvIT and REIT shall be valued at the last quoted closing price on other recognised stock exchange. For this purpose, only NSE and BSE shall be considered as the recognized stock exchanges.</p> <p>c) When units of InvIT and REIT is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on any day immediately prior to valuation day or latest NAV declared by the investment manager of the trust, whichever is later, shall be considered for valuation provided that such date is not more than thirty days prior to the valuation date.</p>



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	<p>d) Where units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvIT and REIT will be determined based on the price provided by an independent valuation agency(ies). The selection of the independent valuation agency(ies) will be approved by the Valuation Committee.</p> <p>e) Where the valuation for units of InvIT and REIT is not available from any independent valuation agency(ies), the valuation will be determined by the Valuation Committee based on the principles of fair valuation.</p>
Exchange Traded Commodity Derivatives (ETCDs) (For Gold, Silver & Cash Settled ETCDs)	<p>Exchange Traded Commodity Derivatives (ETCDs) shall be valued at the last quoted closing price on the exchange where such ETCD Contracts are Listed.</p> <p>In the event the last quoted closing price as referred above is not available, such ETCD contracts shall be valued at the Settlement price of the respective stock exchange.</p> <p>In case necessary details to value ETCDs are not available or if the prices as per above do not represent fair price, the valuation committee, in order to ensure fair valuation, will determine price, based on the available information.</p>

NOTE 2

The Exceptional events where current market information may not be available / sufficient for valuation of securities are classified as under:

- 1) Major policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory body like (SEBI/IRDA/PFRDA).
- 2) Natural disasters or public disturbances that may impact the functioning of the capital markets.
- 3) Absence of trading in a specific security or similar securities.
- 4) Sufficient market information may not be available for the Valuation of Securities.
- 5) Valuation Agencies do not provide Valuation for Securities.
- 6) Significant volatility in the capital markets.
- 7) Deviation from the indicative haircuts and/or the valuation price.
- 8) Any other event perceived to be exceptional by the Valuation Committee.

V. **TAX & LEGAL & GENERAL INFORMATION**

A. **TAX BENEFITS OF INVESTING IN THE MUTUAL FUND (Standard Observation 14)**



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The information furnished below outlines briefly the key tax implications applicable to the unit holders of the Scheme and to the Mutual Fund based on relevant provisions of the Income-tax Act, 1961 (the Act) including amendments made under the Finance Act, 2023 (collectively called 'the relevant provisions') as at April 1, 2023.

The tax benefits set out in the SAI are for general purposes only and do not constitute tax advice. The tax information provided in the SAI does not purport to be a complete description of all potential tax costs, tax incidence and risks inherent in subscribing to the units of the Scheme(s) offered by Zerodha Mutual Fund ("Fund"). Investors should be aware that the tax laws may change and there can be no guarantee that the current tax position as laid out hereunder may continue indefinitely.

The key aspects pertaining to the Securities Transaction Tax (STT), the tax benefits/ consequences as applicable to Fund in respect of its Schemes (being an equity-oriented fund/ other than equity oriented fund/ money market mutual fund/ liquid fund) and investors investing in the units of its Schemes [on the assumption that the units are not held as stock-in-trade] are stated as follows:

THE FOLLOWING INFORMATION IS PROVIDED FOR GENERAL INFORMATION PURPOSES ONLY AND APPLIES TO THE SCHEME. IN VIEW OF THE INDIVIDUAL NATURE OF TAX BENEFITS, EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX CONSULTANT WITH RESPECT TO THE SPECIFIC TAX IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEME.

TAX IMPLICATIONS FOR THE FUND

As the Mutual Fund has been registered with the SEBI under the SEBI (Mutual Fund) Regulations, 1996, the entire income of the Mutual Fund is exempt from income-tax under Section 10(23D) of the Act.

TAX IMPLICATIONS TO UNIT HOLDERS

Income-tax Act, 1961 ('the Act')

(i) Income from units

Income received from Mutual Funds will be taxable in the hands of unitholders at the tax rates applicable to them.

(ii) Capital gains

(a) Long-term capital gains

Under section 2(29A) read with section 2(42A) of the Act, units of an equity Oriented Scheme held as a capital asset are treated as a long-term capital asset if they are held for a period of more than twelve months immediately preceding the date of their transfer. Units of non-equity oriented schemes other than units of specified mutual fund bought on or after April 01, 2023 held as a capital asset are treated as a long-term capital asset if they are held for a period of more than thirty-six months immediately preceding the date of their transfer.



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The additional units issued under the Reinvestment of Income Distribution cum capital withdrawal option available in the Scheme and held as capital asset would get the benefit of long-term capital gains tax if sold after being held for more than twelve months in case of equity oriented scheme and more than thirty-six months in case of non-equity oriented scheme other than units of specified mutual fund bought on or after April 01, 2023. For this purpose, twelve months and thirty-six months respectively will be computed from the date when such additional units are allotted.

From the full value of consideration, the following amounts should be deducted to arrive at the amount of long-term capital gains:

- ❖ Cost of acquisition as adjusted by the cost inflation index notified by the Central Government in the Official Gazette; and
- ❖ Expenditure incurred wholly and exclusively in connection with such transfer.

Under Section 112 of the Act, capital gains arising to a resident from transfer of a long-term capital asset being units of a Mutual fund (other than units of equity oriented Scheme & units of specified mutual funds bought on or after April 01, 2023) will be taxable at the rate of 20% with indexation. In case of non-resident (not being a company) or a foreign company such capital gains arising from transfer of a capital asset, being unlisted securities, will be taxable at the rate of 10 percent without indexation and in case of listed securities will be taxable at the rate 20 percent with indexation. No indexation benefit is, however, available in computing long-term capital gain arising from the transfer of a long-term capital asset being bond or debenture other than capital indexed bonds issued by the Government.

As per the provisions of Section 112A of the Act, long-term capital gains arising on the transfer of units of “equity-oriented funds”¹ on which the Securities Transaction Tax (STT) has been paid are taxable at rate of 10% of such capital gain exceeding Rs. 100,000/-. Further as per Section 55 (2)(ac) of the Act, while determining the capital gain, the cost of acquisition in respect of the long-term capital asset acquired by the assessee before the 1st day of February, 2018, shall be deemed to be the higher of –

- a) the actual cost of acquisition of such asset; and
 - b) the lower of –
 - (I) the fair market value of such asset; and
 - (II) the full value of consideration received or accruing as a result of the transfer of the capital asset. “Fair market value” has been defined to mean –
- ❖ in a case where the capital asset is listed on any recognized stock exchange as on the 31st day of January, 2018, the highest price of the capital asset quoted on such exchange on the said date.

¹ “equity oriented fund” has been defined to mean a fund set up under a scheme of a mutual fund specified under clause (23D) of Section 10 and—

- a) In a case where the fund invests in the units of another fund which is traded on a recognized stock exchange- (I) a minimum of 90 per cent. of the total proceeds of such fund is invested in the units of such other fund; and (II) such other fund also invests a minimum of 90 per cent of its total proceeds in the equity shares of domestic companies listed on recognized stock exchange; and
- b) In any other case, a minimum of 65 per cent of the total proceeds of such a fund is invested in the equity shares of domestic companies listed on recognized stock exchange.



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However, where there is no trading in such asset on such exchange on the 31st day of January, 2018, the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value; and

- ❖ in a case where the capital asset is a unit and is not listed on a recognized stock exchange as on 31st day of January, 2018, the net asset value of such unit as on the said date.

Further, where in case of an individual or a Hindu Undivided Family (HUF), being a resident, the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then such long-term capital gains shall be reduced to the extent of such shortfall and only the balance of the long-term capital gains will be subject to the flat rate of taxation for long-term capital gains (applicable to long term capital gains taxable under Section 112 as well as Section 112A).

The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains.

Similarly, the rebate under section 87A of the Act shall be allowed to Individual resident, whose total income does not exceeds five hundred thousand rupees (income computed before allowing deduction under this chapter), from the income-tax on the total income as Further, as per amendment made by the Finance Act, 2023, resident Individuals opting to offer their income under the new tax regime under Section 115BAC, the rebate under section 87A of the Act shall be allowed if the total income does not exceed seven hundred thousand rupees from the income tax payable on total income..

As per the provisions of Section 115AD of the Act, long-term capital gains arising to Foreign Institutional Investors ('FIIs') /Foreign Portfolio Investors (FPI), on sale of units would be taxed at 10 percent, without indexing the cost of acquisition.

In case of non-resident investors, the above rates are subject to benefits available, if any, under the applicable Double Taxation Avoidance Agreement ('DTAA'). The Central Board of Direct Taxes ("CBDT") has issued Notification no.3/2022 dated 16 July 2022 wherein they have made it mandatory for all such persons to electronically file Form 10F through the e-filing portal. However, the CBDT has granted relaxation with respect to this requirement for Non-resident investors without PAN till September 30, 2023.

The long-term capital gains will be computed without giving effect to the first and second proviso to Section 48, i.e. inflation indexation in respect of cost of acquisition and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed.

(b) Short-term capital gains:



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As per Section 111A of the Act, short-term capital gains arising on the redemption of units of equity-oriented mutual funds [on which STT has been paid – refer sub-para (c) below] are taxable at rate of 15 percent (plus applicable surcharge & health and education cess).

As per the provisions of Section 111A of the Act any income arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented scheme would also be taxable at the rate of 15 percent (plus applicable surcharge & health and education cess) where, transaction is undertaken on a recognised stock exchange located in any international Financial Services Centre and where consideration for such transaction is paid or payable in foreign currency.

However, in the case of an individual or a HUF, being a resident, where the total income as reduced by such short-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such short-term capital gain shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such short term capital gains shall be computed at the rate of fifteen percent (plus applicable surcharge & health and education cess).

In case of non-resident investors, the above rates are subject to benefits available, if any, under the applicable Double Taxation Avoidance Agreement ('DTAA'). The Central Board of Direct Taxes ("CBDT") has issued Notification no.3/2022 dated 16 July 2022 wherein they have made it mandatory for all such persons to electronically file Form 10F through the e-filing portal. However, the CBDT has granted relaxation with respect to this requirement for Non-resident investors without PAN till September 30, 2023.

The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains.

Units of non-equity oriented Schemes other than units of specified mutual funds bought on or after April 01, 2023 held as a capital asset for not more than thirty-six months immediately preceding the date of their transfer are short-term capital assets.

Further, Finance Act 2023 has inserted Section 50AA in the Act which provides that units of Specified mutual fund acquired on or after 1 April 2023 are deemed to be short term capital assets irrespective of their period of holding. With respect to specified mutual funds, the capital gains shall be arrived at by reducing the cost of acquisition of the units and the expenditure incurred wholly and exclusively in connection with the transfer / redemption / maturity of such units, except for the amount paid as securities transaction tax.

Capital gains arising from the transfer of short-term capital assets will be subject to tax at the rates applicable to residents / NRIs /PIOs /FIIs/FPIs. The following rates are applicable to resident individuals and HUFs/NRIs/PIOs for Financial year 2023-24:

Slab	Tax rate (plus health and education cess) *
Total income not exceeding Rs 250,000	Nil



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Rs 250,001 ~ not exceeding Rs 500,000	5% percent of excess over Rs 250,000
Rs 500,001 ~ not exceeding Rs 10,00,000	20 percent of excess over Rs 500,000 plus Rs 12,500/-
Exceeding Rs 10,00,000	30 percent of excess over Rs 10,00,000 plus Rs 1,12,500/-

***For resident senior citizens, higher exemption will be applicable.**

Finance Act, 2023 vide insertion of Sub-Section (1A) to Section 115BAC has introduced new slab rates with lower tax rates for FY 2023-24 onwards for individuals, HUFs, association of persons [other than a cooperative society], body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 who opt to compute their income under the new tax regime. The new slab rates and tax rates applicable therein, alongwith their conditions are outlined below:

Income Slab	Rate of Tax
Upto ₹3,00,000	Nil
₹3,00,001 to ₹6,00,000	5%
₹6,00,001 to ₹.9,00,000	10%
₹9,00,001 to ₹12,00,000	15%
₹12,00,001 to ₹. 15,00,000	20%
Above ₹15,00,000	30%

The new tax regime shall be the default tax regime and tax will be computed as per Section 115BAC(1A) where the assessee has not opted out of the new tax regime.

Taxpayers opting for taxation under the new tax regime shall not be eligible to claim the following exemptions/ deductions while computing their income:

Section	Particulars
10(5)	Leave Travel Concession
10(13A)	House Rent Allowance
10(14)	Allowance other than Transport Allowance granted to a divyang employee, Conveyance Allowance, travel on tour or transfer allowance and daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty
10(17)	Allowances to MPs/MLAs
10(32)	Deduction of income of minor child upto Rs.1,500 per child for maximum 2 children
10AA	Special provisions in respect of newly established Units in Special Economic Zones
16	(other than Standard deduction of Rs.50,000), deduction for entertainment allowance for government employees of Rs.5,000 and professional tax Rs.2,500;



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24(b)	Interest on house property in respect of self-occupied or vacant property (Loss from rented house property shall not be allowed to be set off under any other head and would be allowed to be carried forward);
32(1)(ia)	Additional depreciation @ 20%
32AD	Investment in new plant and machinery in notified backward areas in certain states.
33AB	Tea/Coffee/Rubber development account
33ABA	Site Restoration Fund
35(1)(ii)	Deduction in respect of amount paid to certain scientific research to university, college or other institution
35(1)(ia)	Deduction in respect of amount paid to certain companies to be used for scientific research
35(1)(iii)	Deduction in respect of amount paid to research association
35(2AA)	Expenditure on scientific research
35AD	Deduction in respect of expenditure on specified business
35CCC	Expenditure by way of payment to association and institutions for carrying out programmes of conservation of natural Resources
Chapter VI-A	Certain specified deductions in respect of investment made. (Other than section 80CCD(2) employer contribution on account of employee in notified pension scheme; 80CCH(2) employer contribution to Agniveer Corpus Fund; 80LA Deduction in respect of certain income of Offshore Banking Units and International Financial Services Centre (IFSC) and section 80JJAA i.e. deduction in respect of employment of new employees)

Deduction allowable

Section	Particulars
57(ia)	Family pension-Deduction of 1/3rd or 15,000/- whichever is less

Further, they would need to compute their income:

- without set-off of any loss carried forward or depreciation from any earlier assessment year if such loss or depreciation is attributable to any of the deductions referred to in the above table (such loss will be deemed to have been allowed)
- without set-off of any loss under the head house property with any other head of income
- by claiming the depreciation, other than additional depreciation, determined in such manner as may be prescribed
- without any exemption or deduction for allowance of perquisite provided under any other law for the time being in force.
- The loss and depreciation are deemed to have been given full effect and no further deduction for such loss / depreciation shall be allowed for subsequent years.
- The option shall become invalid in respect of the assessment year where the person fails to comply with the aforesaid conditions and other provisions of the Act shall apply as if option is not exercised.



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- The option for tax regime (who wanted to be opted out of new tax regime) can be exercised on a year to year basis by individuals/HUFs or association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, not having business/professional income and in other cases, option once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise the option under this subsection, except where such person ceases to have any income from business or profession.
- The option is to be exercised by individuals/HUFs or association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 in the form and manner as may be prescribed.
- Where such individual or HUF or association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 has no business income, alongwith return of income furnished before the due date of return.
- In any other case, on or before the due date of furnishing of return of income. The option can be withdrawn once in the year other than the previous year in which it has been exercised. Once the option is withdrawn it cannot be re-used unless individual or HUF or association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 ceases to have business income.

In case of non-equity oriented scheme/Specified Mutual fund, FII/FPIs are chargeable to tax on short-term capital gains at the rate of 30 percent. Domestic companies are chargeable to tax on short-term capital gains at the rate of 15/22/25/30 percent (as applicable). Non resident corporates are taxable at 40%.

Below are the additional relevant provisions in the context of capital gains.

(a) Dividend Stripping (All unit holders)

As per section 94(7) of the Act, losses arising from the sale/transfer of units (including redemption) purchased up to 3 months prior to the record date and sold within 9 months after such date, will be disallowed to the extent of income distribution (excluding redemptions) on such units claimed as tax exempt by the unit holder. However, as per the Financial Act, 2020 with effect from 1st April, 2020, Income distributed by Mutual Funds will no longer be exempt under section 10(35) of the Act and will be taxable in the hands of the unitholders. Accordingly, the provisions of section 94(7) of the Act will not be applicable.

(b) Securities Transaction Tax ('STT')

STT is levied on purchase or sale of a unit of an equity- oriented fund entered in a recognised stock exchange. The responsibility for the collection of the STT and payment to the credit of the Government is with the Stock Exchange.



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STT is also levied on sale of a unit of an equity-oriented fund. In such a case, the responsibility for the collection of the STT and payment to the credit of the Government is with the Mutual Fund. The rates of STT are as follows:

	Nature of transaction	Rate of STT
A.	Purchase of units of an equity oriented fund entered in a recognized stock exchange - Settled by actual delivery or transfer	Purchaser to pay NIL
	Sale of units of an equity oriented fund entered in a recognised stock exchange- Settled by actual delivery or transfer	Seller to pay 0.001 percent
B.	Sale of units of an equity oriented fund entered in a recognised stock exchange - Settled otherwise than by actual delivery or transfer	Seller to pay 0.025 percent
C.	Sale of units of an equity oriented fund to the mutual fund	Seller to pay 0.001 percent
D.	Sale of an option in securities	Seller to pay 0.0625 percent
	Sale of option in securities, where option is exercised	Purchaser to pay 0.125 percent
	Sale of a futures in securities	Seller to pay 0.0125 percent
E.	Sale of unlisted equity shares under an offer for sale to the public in an initial public offer	Seller to pay 0.2 percent
F.	Purchase and sell of equity shares or a unit of business trust on a recognized stock exchange, settled by actual delivery	Purchaser / Seller to pay 0.10 percent
	Purchase and sell of equity shares or a unit of business trust on a recognized stock exchange, settled otherwise by actual delivery	Seller to pay 0.025 percent
	Sale of unlisted units of a business trust under an offer for sale referred to in sub clause (ab) of clause 13 of section 97	Seller to pay 0.2 percent

The above STT shall not apply in respect of taxable securities transactions entered into by the following persons:

- 1) any person for, or on behalf of, the New Pension System Trust referred to in clause (44) of section 10 of the Act; or
- 2) any person on a recognised stock exchange located in an International Financial Services Centre where the consideration for such transaction is paid or payable in foreign currency.



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(iii) Clubbing of Income

Subject to the provisions of section 64(1A) of the Act, taxable income accruing or arising in the case of a minor child (not being a minor child suffering from disability specified in section 80U) shall be included in the income of the parent whose total income is greater or where the marriage of the parents does not subsist, in the income of that parent who maintains the minor child. An exemption under section 10(32) of the Act is granted to the parent in whose hand the income is included upto Rs. 1,500/- per minor child. When the child attains majority, the tax liability will be on the child.

(iv) MAT / AMT Liability

The income on the transfer of Mutual Fund units by a company would be taken into account in computing the book profits and Minimum Alternative Tax ('MAT'), if any, under section 115JB of the Act.

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

Finance Act, 2020 has introduced a new tax regime under Section 115BAA, Section 115BAB and Section 115BAC of the Act. Once the person opts for the new tax regime, the provisions of MAT/AMT would not be applicable.

(v) Equity Linked Savings Scheme

An Individual and HUF will be eligible to make an investment upto Rs.1,50,000/- in Equity Linked Savings Schemes (ELSS) which are formulated under Equity Savings Schemes, 2005('the Scheme'), issued by the Central Government.

As per the said Scheme, the said investments will qualify for deduction under section 80C of the Act. The Scheme has a lock-in period of 3 years.

In case the Investor has made withdrawal from the Scheme prior to the completion of 3 years, the same will be taxable in the previous year in which amount of Income is received by the individual/HUF as the case may be.

In case of individuals and HUFs who opt for the new tax regime as stated above in the previous year ended 31st March, 2021 or thereafter, the investment upto Rs. 1,50,000/- in ELSS will not qualify for deduction under section 80C of the Act while computing their income.

(vi) Consolidating Scheme of Mutual Fund

Transfer not chargeable to tax at the time of consolidation of Scheme of Mutual fund:



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Capital gains shall not apply to any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating scheme of a mutual fund, if the transfer is made in consideration of the allotment to him of any unit or units in the consolidated scheme of the mutual fund under the process of consolidation of the schemes of mutual fund.

The consolidation should be of two or more schemes of equity oriented fund or of two or more schemes of a fund other than equity oriented fund.

“consolidating scheme” means the scheme of a mutual fund which merges under the process of consolidation of the schemes of mutual fund in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992;

“consolidated scheme” means the scheme with which the consolidating scheme merges or which is formed as a result of such merger.

(a) Cost of Units in consolidating Scheme of Mutual Fund

The cost of acquisition of the Units in the consolidated scheme shall be deemed to be the cost of acquisition to the investor of the unit or units in the consolidating scheme of the mutual fund.”

(b) Holding period

In the case of a capital asset, being a unit or units, which becomes the property of the assessee in consideration of a transfer on account of consolidation of Scheme of Mutual Fund, there shall be included the period for which the unit or units in the consolidating scheme of the mutual fund were held by the assessee.

(vii) Consolidating Plan of a Mutual Fund Scheme

Transfer not chargeable to tax at the time of consolidation of plans of a Mutual fund scheme any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund.

“consolidating plan” means the plan within a scheme of a mutual fund which merges under the process of consolidation of the plans within a scheme of mutual fund in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992;

“consolidated plan” means the plan with which the consolidating plan merges or which is formed as a result of such merger;

(a) Cost of Units in consolidating plan of Mutual Fund



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Cost of acquisition of a unit or units in consolidated plan of a mutual fund scheme shall be deemed to be the cost of acquisition to the investor of the unit or units in the consolidating plan of the mutual fund scheme.

(b) Holding period

In the case of a capital asset, being a unit or units, which becomes the property of the assessee in consideration of a transfer on account of consolidation of plans of a Mutual Fund scheme, there shall be included the period for which the unit or units in the consolidating plan of the mutual fund scheme were held by the assessee.

(viii) Unlike specific provisions for exemption for consolidation of schemes of a mutual fund and for consolidation of plans of a mutual fund as aforesaid, there is no specific exemption provision in the Act for consolidation of options under a particular scheme of a mutual fund. Accordingly, in the absence of such a specific provision in the Act, consolidation of options may entail capital gain incidence in the hands of the unit holders. In case of non-resident unit holders, TDS will be deducted in accordance with the provisions of the Act (if necessary, by redeeming the required number of units).

(ix) Segregated Portfolio of Mutual Fund (The Finance Act 2020, has inserted the provisions relating to segregated Portfolio of Mutual Fund) SEBI has permitted the creation of a segregated portfolio of debt and money market instruments by Mutual Fund Schemes. In view of the same, it is now provided in the Act that:

(a) the holding period for such units held in the segregated portfolio shall include the period for which the original units were held in the main portfolio; and

(b) the cost of acquisition for the units of the segregated portfolio shall be the amount of cost of acquisition of the total portfolio in the proportion of Net Asset Value (“NAV”) of assets transferred to the segregated portfolio to the NAV of the total portfolio before the segregation.

Consequently, the cost of acquisition of units in the main portfolio would be reduced by the cost of acquisition of segregated portfolio as determined above.

(x) Tax deducted at source (‘TDS’)

(a) On Income Distribution by Mutual fund

Any income credited or paid to unit holders in respect of units of a mutual fund specified under Section 10(23D) of the Act will be liable to tax deducted at source on income in excess of Rs.5000/-. In case the payee is a resident, tax is required to be deducted at source at the rate of 10%. Tax is required to be deducted at source at the rate of 20 percent (plus applicable surcharge & health and education cess) if the payee is a non- resident. However, as per the amendment made by the Finance Act 2021 in case of a FPI and by the Finance Act 2023 in case of non-resident unit holder, the TDS rate would be considered at 20% or rate as per the applicable Double Taxation Avoidance Agreement (DTAA) whichever is lower. The Central Board of Direct Taxes (“CBDT”) has issued a Notification no.3/2022 dated 16 July 2022 wherein they have made it mandatory for all such persons to electronically file Form 10F through the e-filing portal. However, the CBDT has granted relaxation with respect to this requirement for Non-resident investors without PAN till September 30, 2023.



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(b) On capital gains Resident investors

No tax is required to be deducted at source from capital gains arising at the time of repurchase/redemption of the units.

Non-resident investors

Equity Oriented Fund

- In respect of long-term capital gains arising from the sale of units of the equity-oriented fund on which STT has been paid, tax is required to be deducted at source at the rate of 10 percent (plus applicable surcharge & health and education cess) if the payee is a NRI/PIO.
- In respect of short-term capital gains arising on sale of units, tax is required to be deducted at source at the rate of 15 percent (plus applicable surcharge & health and education cess) if the payee is a NRI/PIO.
- Schemes others than Equity Oriented Fund Listed units of a Non-equity oriented schemes
- Under section 195 of the Act, the mutual fund including Specified Mutual fund (other than units of specified Mutual fund acquired on or after 1st April, 2023) is required to deduct tax at source at the rate of 20 percent (plus applicable surcharge & health and education cess) on any long-term capital gains if the payee unit holder is an NRI/PIO.(after considering indexation)
- In respect of short-term capital gains arising on sale of units, tax is required to be deducted at source at the rate of 30 percent (plus applicable surcharge & health and education cess) if the payee is a NRI/PIO and at the rate of 40 per cent if the payee is a non-resident corporate.
- Unlisted units of a Non-equity oriented schemes (U/S 115E/112)
- Under section 115E/112 of the Act, the mutual fund including Specified Mutual Fund (other than units of specified Mutual fund acquired on or after 1st April, 2023) is required to deduct tax at source at the rate of 10 percent (plus applicable surcharge & health and education cess) on any long-term capital gains if the payee unit holder is an NRI/PIO & other non-resident (other than Foreign Institutional investor & foreign portfolio Investor). (Without indexation and exchange fluctuation)
- In respect of short-term capital gains arising on sale of units, tax is required to be deducted at source at the rate of 30 percent (plus applicable surcharge & health and education cess) if the payee is a NRI/PIO and at the rate of 40 per cent if the payee is a non resident corporate.

The Fund will deduct the above tax at the time of repurchase of units. In case of sale of units by Non-resident investors through recognized stock exchange, tax deduction will be done by the bank/ broker of the Non-resident investor.

As per Section 206AA of the Act, any person who is entitled to receive any sum or income or amount, on which tax is deductible under Chapter XVIIB (hereafter referred to as deductee) on or after 01/04/2010, shall furnish his Permanent Account Number to the person responsible for deducting such tax (hereafter referred to as deductor), failing which tax shall be deducted at the higher of the following rates, namely:

- i. at the rate specified in the relevant provision of the Act; or
- ii. at the rate or rates in force; or
- iii. at the rate of twenty per cent.



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The aforesaid provision dealing with higher taxation in the absence of furnishing Permanent Account. Number shall not apply to a non-resident on furnishing the following details and documents by such non-resident:

- i. name, e-mail id, contact number;
- ii. address in the country or specified territory outside India of which the non-resident is a resident;
- iii. a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- iv. Tax Identification Number of the non-resident in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the non-resident is identified by the Government of that country or the specified territory of which he claims to be a resident.

In case of investments by NRIs during NFO, at the time of redemption of units, TDS will be deducted at the applicable rate. However, in respect of those Unit Holders who have acquired the Units on the Stock Exchange post listing of units, the Unit Holders would need to provide a certificate from a Chartered Accountant certifying the details of acquisition of Units to the Mutual Fund within two days of maturity of the Scheme, so as to enable the Mutual Fund to deduct TDS at the applicable rates. In the event of such details not being provided, the Mutual Fund would deduct TDS on the redemption proceeds at the highest rate of TDS applicable.

(c) Other applicable TDS provisions

i) TDS on Non-filers of Return

Section 206AB deals with higher rate for deduction of tax at source for non-filers of income tax return.

As per the said section, where tax is required to be deducted at source under the provisions of Chapter XVIIIB, other than Sections 192, 192A, 194B, 194BB, 194LBC or 194N on any sum or income or amount paid, or payable or credited, by a person to a specified person, the tax shall be deducted at the higher of the following rates, namely-

- (i) at twice the rate specified in the relevant provision of the Act; or
- (ii) at twice the rate or rates in force; or
- (iii) at the rate of five per cent.

If the provisions of section 206AA is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA.

For the purpose of this section, Specified person has been defined as a person who has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted, for which the time limit of furnishing the return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in said previous year.



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Provided that the specified person shall not include a non- resident who does not have a permanent establishment in India Finance Act 2023, with effect from 1st April, 2023, amended the said proviso to also exclude a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in the Official Gazette in this behalf.

For the purposes of this sub-section, the expression “permanent establishment “includes a fixed place of business through which the business of the enterprise is wholly or partly carried on. Accordingly, TDS at a higher rate could apply in such cases.

(i) As per section 10(44), any income received by any person on behalf of the New Pension System Trust established on 27th day of February, 2008 under the provisions of Indian Trust Act of 1882 shall be exempt from income-tax.

(ii) Double Taxation Avoidance Agreements

Section 90 of the Act provides that where the Government of India has entered into a DTAA with the Government of any other country, the provisions of the Act will apply to the extent they are more beneficial to the taxpayer. Accordingly, if as per the provisions of the DTAA, capital gains are not chargeable to tax or are chargeable to tax at a lower rate then the unit holder is entitled to the benefits of the same. The unit holder will be required to provide the mutual fund with a certificate under section 197 of the Act from his Assessing Officer stating his eligibility for the lower rate or nil rate.

The Finance Act, 2013 has amended section 90(4) in the ITA to provide that an assessee, not being a resident, to whom the provisions of the DTAA apply, shall not be entitled to claim any relief under such DTAA unless a certificate, of his being a resident in any country outside India or specified territory outside India, as the case may be, is obtained by him from the Government of that country or specified territory.

India has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (commonly referred to as MLI), which has since been ratified. India has since deposited the Instrument of Ratification to OECD, Paris, as a result of which MLI has entered into force for India on 1st October, 2019 and its provisions will be applicable on India's DTAA's on dates as mentioned/to be mentioned in the respective DTAA's.

The MLI is an outcome of the G20-OECD project to tackle Base Erosion and Profit Shifting (the BEPS Project), i.e. tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall tax being paid. The MLI will modify India's DTAA's to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out. The MLI will be applied alongside existing DTAA's, modifying their application in order to implement the BEPS measures. Article 6 of MLI provides for modification of the Covered Tax Agreement to include the following preamble text:

“Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions),”



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The availability of benefits under the DTAA's will be subject to the amended provisions contained therein pursuant to MLI.

(xi) Surcharge & Cess

A surcharge of 7% on domestic company & co-operative society and in case of every company, other than a domestic company a surcharge of 2% (if their total income exceeds Rs.1,00,00,000/- but does not exceed Rs.10,00,00,000) shall be applicable. In case income exceeds Rs.10,00,00,000/- surcharge on domestic company and co-operative society shall be 12% and other than domestic company shall be 5%. Domestic companies who opt for the new tax regime under section 115BAA or under section 115BAB of the Act, will be liable to surcharge at the rate of 10%.

In case of firms, and local authorities, surcharge applicable shall be 12% (if their total income exceeds rupees 1,00,00,000/-). Further, in case of Individuals/HUFs/BOIs/AOPs and Artificial juridical persons surcharge will be as follows:

Status of Investor	Nature of Income	Income > 50 lakhs and upto 1 crores (in Rs)	Income > 1 cr and upto 2 cr (in Rs)	Income > 2 cr and upto 5 cr (in Rs)	Income > 5 cr and upto 10 cr (in Rs)	Income exceeding 10 cr (in Rs)
Individuals/ HUFs/BOIs/ AOPs and Artificial juridical persons	Long term & Short term capital gains on Equity Oriented Funds and Long term capital gains on Non-equity oriented funds (other than specified mutual funds)	10%	15%	15%	15%	
Individuals/ HUFs/BOIs/ AOPs and Artificial juridical persons	Short term capital gains on Non Equity oriented funds (other than specified mutual funds)	10%	15%	25%	@25%	
Individuals/ HUFs/BOIs/ AOPs and Artificial juridical persons	Capital gains on specified mutual funds	10%	15%	25%	@25%	@25%



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Individuals/ HUFs/BOIs/ AOPs and Artificial juridical persons	Income distributed in respect of units of mutual fund	10%	15%	25%	@25%	@25%
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@ Finance Act, 2023 has amended surcharge rates for individuals and HUFs or association of persons [other than a cooperative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 who opt for the new tax regime under section 115BAC. As per the amended section, the maximum rate of surcharge shall be 25% for income computed under section 115BAC of the Income tax Act, 1961 (new tax regime) instead of 37% under normal provisions (Old tax regime). The new tax regime would be the default tax regime from FY 2023-24 onwards.

Cess applicable as under:

Health and education cess of 4 percent is levied on tax payable (including surcharge) by all assessees. Accordingly, the rates of tax and TDS mentioned above, will be increased by the applicable surcharge and Health and Education Cess.

(xii) Capital losses

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

Long term capital loss on transfer of units of equity oriented mutual fund should be allowed to be set off against other long-term capital gains. Unabsorbed long-term capital losses (other than the losses relating to sale of units of equity oriented fund which were otherwise exempt under section 10(38) of the Act) can be carried forward and set off against the long-term capital gains arising in any of the subsequent eight assessment years. Unabsorbed short-term capital losses can be carried forward and set off against the income under the head capital gains in any of the subsequent eight assessment years.

(xiii) Religious and Charitable Trust

Investment in Units of the Mutual Fund by Religious and Charitable Trusts is an eligible investment under section 11(5) of the Act, read with Rule 17C of the Income Tax Rules, 1962. However, such investment may be permitted only subject to the state legislation governing Religious and Charitable Trusts in this regard, wherever applicable.

B. Legal Information

1. Nomination Facility (Standard Observation 16)

- A. Pursuant to Regulation 29A of the SEBI (Mutual Funds) Regulations, the AMC provides an option to the Unit holder to nominate (in the manner prescribed under the SEBI Regulations), a person(s) in whom the Units held by him shall vest in the event of his death. Where the Units are held by more



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than one person jointly, the joint Unit holders may together nominate a person(s) in whom all the rights in the Units shall vest in the event of death of all the joint Unit holders. By provision of this facility the AMC is not in any way attempting to grant any rights other than those granted by operation of law to the nominee(s).

- B. A nomination in respect of the Units does not create an interest in the property after the death of the Unit holder.
- C. Nomination can be made only by individuals on their own behalf, either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate.
- D. Only the following categories of Indian Residents can be nominated: (a) individuals (b) minors through parent/legal guardian (c) religious and charitable trusts; and (d) Central Government, State Government, a local authority or any person designated by virtue of his office.
- E. The Nominee shall not be a trust (other than a religious or charitable trust), society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder.
- F. A non-resident Indian can be a Nominee subject to the regulations as may be applicable and in force from time to time.
- G. Minor(s) can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the Unit holder.
- H. Nomination can be made for a maximum of 3 nominees. In case of multiple nominees, the percentage of allocation / share in favour of each of the nominees should be indicated against their name and such allocation / share should be in whole numbers without any decimals making a total of 100 percent. In the event of Unitholders not indicating the percentage of allocation / share for each of the nominees, the Mutual Fund /the AMC, by invoking default option shall settle the claim equally amongst all the nominees.
- I. Nomination in respect of the Units stands rescinded upon the Redemption of Units.
- J. Cancellation of nomination can be made only by those individuals who hold Units on their own behalf singly or jointly and who made the original nomination. On cancellation of the nomination the nomination shall stand rescinded and the Mutual Fund / AMC shall not be under any obligation to transfer the Units in favour of the nominee(s). A new nomination request will result in simultaneous cancellation of existing nomination and replacing the same by fresh nomination, i.e., a fresh nomination for a folio/ account will automatically overwrite an existing nomination.
- K. The nomination facility that will be extended under the Scheme(s) of Zerodha Mutual Fund will be subject to existing laws.
- L. The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with a nomination.
- M. Nomination will be mandatory for new folios/accounts opened by individuals as mentioned above. Investors who do not wish to nominate must confirm their non-intention to nominate.
- N. In case of joint holdings in a folio, all joint holders will need to confirm the nomination/ cancellation of nomination, irrespective of the mode of operation of the account (i.e., whether by 'anyone or survivor' or 'jointly'). The facility to nominate will not be available in a folio held on behalf of a minor.
- O. Nomination shall be maintained at the folio level and shall be applicable for investments in all schemes in the folio or account.
- P. Every new nomination in a folio will overwrite the existing nomination.
- Q. A Power of Attorney Holder (PoA) and a guardian investing in mutual fund units on behalf of a minor cannot nominate. So far as a minor is concerned, a guardian is appointed to take care of financial affairs of a minor till the minor attains the age of majority. Transactions made through the guardian during the period a child is a minor has to be ratified by the minor subsequent to attaining the age of majority. Hence, law does not permit the guardian to be a nominee in the same account, as it shall be the sole discretion of minor after attaining age of majority.



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- R. Investors subscribing to mutual fund units shall have a choice of :-
 - a. Providing nomination as per the SEBI (Mutual Funds) Regulations, 1996;
 - b. Opting out of nomination through a Declaration/ confirmation as prescribed by SEBI.
- S. Nomination once made can be changed subsequently any time and any number of times.
- T. Payment of the sums to the nominee in respect of a demat account shall discharge the Mutual Fund of all liability towards the estate of the deceased Unit holder and his/her legal successors/legal heirs. In case a demat account has joint holders, in the case of death of any of the joint holder(s), the securities will be transmitted to the surviving holder(s). Only in the event of death of all the joint holders, the Units / securities will be transmitted to the nominee.
- U. As regards mutual fund units held in electronic (demat) mode with a depository, the nomination details provided by the Unitholder to the depository will be applicable to the mutual fund Units held in demat mode. Such nomination including any variation, cancellation or substitution of Nominee(s) shall be governed by the rules and bye-laws of the Depository.
- V. To claim the Units after the death of a unitholder, the nominee has to complete the necessary formalities, such as completion of KYC process, along with proof of death of the unit holder, signature of the nominee duly attested, furnishing of proof of guardianship in case the nominee is a minor, and such other document as may be required for transmitting the units in favour of the nominee(s).
- W. In case nomination is not made by a Unitholder, the Units would be transmitted to the account of legal heir(s), depending on whether the deceased person has left behind a Will and as per applicable succession law, which involves lengthy (and sometimes expensive & cumbersome) procedure.

Process for Investments made in the name of a Minor through a Guardian:

Pursuant to SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2019/166 dated December 24, 2019 as amended by SEBI Circular No. SEBI/HO/IMD/POD-II/CIR/P/2023/0069 dated May 12, 2023 with respect to investment made in the name of minor through a guardian:

- A. Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor or from a joint account of the minor with parent or legal guardian. For existing folios, in case the pay-out bank mandate is not held solely by minor or jointly by minor and guardian, the investors are requested to provide a change of Pay-out Bank mandate request before providing redemption request.
- B. Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide KYC/FATCA details, updated bank account details including cancelled original cheque leaf of the new account and his/her specimen signature duly authenticated by banker/guardian. No further transactions shall be allowed till the status of the minor is changed to major.

Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may have with the parent/ legal guardian after completing all KYC formalities.

2. Prevention of Money Laundering Act Requirements (PMLA Requirements)

In terms of the PMLA Requirements, all intermediaries, including Mutual Funds, have to formulate and implement a Client Due Diligence Process which includes Client Acceptance Process, Client Identification Process, Risk Management and Monitoring of transactions. KYC Process is usually performed to verify and maintain the record of identity and address (es) of investors. The AMC recognizes the value and importance of creating a business environment that strongly discourages money launderers from using Zerodha Mutual



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Fund.

The investor(s) / unitholder(s) including guardian(s) where investor / unitholder is a minor, must ensure that the amount invested in the Scheme is derived only through legitimate sources and does not involve and is not designed for the purpose of any contravention or evasion of the provisions of all the applicable laws, rules and regulations, directions issued by the appropriate authority (the applicable laws) in force from time to time including the Prevention of Money Laundering Act, the Income Tax Act, 1961, or the Prevention of Corruption Act, 1988, etc.

Pursuant to the above and SEBI in terms of master circular dated February 03, 2023, the AMC has adopted certain policies to ensure KYC, PML and SEBI Requirements, considered appropriate for its line of business, being committed to prevent money launderers using Enterprise Fund Management (EMF) as a vehicle for any such illegal activity. Accordingly, the AMC may seek information or obtain and retain documentation used to establish Customers' identity. It may re-verify identity and obtain any missing or additional information for this purpose.

The AMC / The Trustees reserve the right to take all steps and actions, including recording investor(s) / unitholder(s) telephonic calls, and / or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds etc. in accordance with the applicable laws, from the investor(s) / unitholder(s), as may be required, to ensure the appropriate identification / verification / re-verification of the investor(s) / unitholder(s), the source of funds etc. under its KYC Policy.

The AMC, under powers delegated by the Trustees, shall have absolute discretion to reject any application, prevent further transactions by a Unit Holder, delay processing redemption as per applicable laws or regulations if:

- A. after due diligence, the investor / Unit Holder / a person making the payment on behalf of the investor does not fulfill the requirements of the KYC as determined by the AMC or the AMC believes that the transaction is suspicious in nature as regards money laundering.
- B. the AMC determines in its sole discretion that the application does not or will not comply with any applicable laws or regulations.

In this regard the AMC reserves the right to reject any application and affect a mandatory Redemption of Units allotted at any time prior to the expiry of 30 days from the date of the allotment.

If the payment for Purchase of Units are made by a third party (e.g. a power of attorney holder, a financing agency, a relative, etc.), the investor / applicant may be required to give such details of such transaction so as to satisfy the AMC of the source and / or consideration underlying the transaction.

3. KYC Compliance

In order to reduce hardship and help investors dealing with SEBI intermediaries, SEBI issued three circulars - MIRSD/SE/Cir-21/2011 dated October 05, 2011, MIRSD/Cir-23/2011 dated December 02, 2011 and MIRSD/Cir-26/2011 dated December 23, 2011 informing SEBI registered intermediaries as mentioned therein to follow, with effect from January 01, 2012, a uniform KYC compliance procedure for all the investors dealing with them on or after that date. SEBI also issued KYC Registration Agency ("KRA") Regulations 2011 and the guidelines in pursuance of the said Regulations and for In-Person Verification ("IPV").

The IPV shall be a one-time process and IPV carried out by a client with any of the intermediaries shall be relied upon by all the other intermediaries with respect to the dealing of such client with such other intermediaries. With respect to the Mutual fund investors, additionally, IPV carried out by the Know Your



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Distributor (KYD) compliant Distributors who hold valid certifications issued by the National Institute of Securities Market (NISM)/Association of Mutual funds in India (AMFI) and Scheduled Commercial Banks shall also hold good.

In terms of SEBI Circular No. Cir/IMD/DF/9/2010 dated 12th August, 2010 with regard to updation of investor related documents, unitholders of Schemes of Zerodha Mutual Fund are advised to get their PAN/KYC details updated at the earliest in respective folio(s) held by them with Zerodha Mutual Fund. Unitholders may note that in absence of PAN/KYC details, the financial transactions (if any) may be rejected by the AMC/Registrar of the Mutual Fund.

4. Transfer and Transmission Facility

- Units of the schemes shall be non-transferable. However, if a person becomes a holder of the units consequent to operation of law, or upon enforcement of a pledge, the Mutual Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the units.
- In case units are held in a single name by a unit holder, units shall be transmitted in favour of the nominee, where the unit holder has appointed a nominee, upon production of death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- If the unit holder has not appointed a nominee, the units shall be transmitted in favour of the unit holder's executor /administrator of estate / legal heir(s), as the case may be, on production of death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- In case units are held by more than one registered unit holder, then upon death of the first unitholder, units shall be transmitted in favour of the second named holder on production of a death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- The rights in the units will vest in the nominee upon the death of all joint unit holders upon the nominee producing a death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.

Transmission Facility

- In case of transmission of Units, the transferee will have to comply with the applicable "Know Your Customer" Norms.
- In case of transmission of Units, the claimant(s) of Units will be required to submit the prescribed documents as may be applicable. Investors may refer to our website (www.zerodhafundhouse.com) for the various documents required under different transmission scenarios.

5. Duration of the Scheme and Winding Up

- Each closed-ended Scheme/ Plan will have a Maturity Date / Final Redemption Date and will be compulsorily and without any act by the unit holder(s) redeemed on Maturity Date / Final Redemption Date. On the Maturity /Final Redemption Date of the Scheme/ Plan, the units will be redeemed at the Applicable NAV.
- The Mutual Fund may convert the Scheme/ Plans under the Scheme after the Maturity Date / Final Redemption Date into an open-end Scheme/ Plan and this shall be in accordance with the SEBI Regulations.
- The Units of close-ended Scheme/ Plan may be converted into open-ended scheme,
 - (a) If the SID of such scheme discloses the option and the period of such conversion; or
 - (b) The Unit holders are provided with an option to redeem their units in full.



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- A close-ended scheme shall be fully redeemed at the end of the maturity period.
- Provided that a close ended scheme may be allowed to be rolled over if the purpose, period and other terms of the roll over and all other material details of the scheme including the likely composition of assets immediately before the roll over, the net assets and net asset value of the scheme, are disclosed to the Unitholders and a copy of the same has been filed with SEBI.
- Provided further, that such roll over will be permitted only in case of those Unit holders who express their consent in writing and the Unit holders who do not opt for the roll over or have not given written consent shall be allowed to redeem their holdings in full at net asset value based price.
- A closed-ended Scheme/ Plan shall be wound up on the expiry of duration fixed in the Scheme/ Plan on the redemption of the Units unless it is rolled-over for a further period under sub-regulation (4) of regulation 33 of SEBI (Mutual Funds) Regulations,1996.
- An Open-ended / Interval Scheme has a perpetual life.
- Where the Scheme is a Close - Ended Scheme with automatic conversion into Open-Ended Scheme upon Maturity, such schemes will remain close - ended for the period mentioned in the SID and subsequently the scheme will automatically be converted into an open-ended scheme without any further reference from the Mutual Fund/ Trustee/ AMC/Unit holders. Thereafter, the duration of the Scheme is perpetual.
- However, in terms of the Regulations, an open-ended schemes may be wound up anytime, and close- ended scheme may be wound up at any time prior to the maturity date, after repaying the amount due to the unit holders under the following circumstances:
 - (1) On happening of any event, which in the opinion of the Trustee, requires the Scheme concerned to be wound up, OR
 - (2) If 75% of the unit holders of the Scheme concerned pass a resolution that the Scheme be wound up, OR
 - (3) If SEBI so directs in the interests of unit holders.
 - (4) In case of non-fulfilment of condition prescribed in terms of minimum number of investors vide SEBI circular No. SEBI/IMD/CIR No.10/22701/03 dated December 12,2003.

6. Procedure and Manner of Winding Up

- The Trustee shall call a meeting of the Unit holders of the Scheme to consider and pass necessary resolutions by simple majority of Unit holders present and voting at the meeting for authorising the trustees or any other person /agency to take the steps for winding up of the Scheme.
- Provided that a meeting shall not be necessary if the Scheme is wound up at the end of the maturity period.
- The Trustee or the person authorised as above, shall dispose of the assets of the Scheme concerned in the best interests of the Unit holders of the Scheme.
- The proceeds of the sale made in pursuance of the above, shall in the first instance be utilised towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unit holders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
- On the completion of the winding up, the Trustee shall forward to SEBI and the Unit holders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
- Notwithstanding anything contained herein, the application of the provisions of SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until the winding up is completed or the Scheme ceases to exist.



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- After the receipt of the report referred to the above under "Procedure and Manner of Winding up" if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.
- The aforesaid provisions pertaining to "Procedure and Manner of Winding Up" shall apply in respect of each individual scheme and to the extent possible shall apply mutatis mutandis to each Investment Plan.

SEBI vide circular dated May 20, 2020 on Listing of Mutual Fund schemes that are in the process of winding up has specified the following:

Presently, in terms of Regulation 32 of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations") and SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, every close-ended scheme (other than an equity linked savings scheme) and units of segregated portfolio shall be listed on recognized stock exchanges.

As per MF Regulations, there are several steps envisaged with respect to winding up of Mutual Fund schemes before the scheme ceases to exist. During this process, such units can be listed and traded on a recognized stock exchange, which may provide an exit to investors.

In terms of Regulation 31B(1) of the SEBI (MF) Regulations, the units of Mutual Fund schemes can be listed in the recognized stock exchange. Accordingly, the units of Mutual Fund schemes which are in the process of winding-up in terms of Regulation 39(2)(a), shall be listed on a recognized stock exchange, subject to compliance with listing formalities as stipulated by the respective stock exchange.

However, pursuant to listing, trading on stock exchange mechanism will not be mandatory for investors, rather, if they so desire, may avail an optional channel to exit provided to them.

Initially, trading in units of such a listed scheme that is under the process of winding up, shall be in dematerialised form. AMCs shall enable transfer of such units which are held in the form of Statement of Account (SoA).

Detailed operational modalities for trading and settlement of units of MF schemes that are under the process of winding up, shall be finalized by the stock exchanges where units of such schemes are being listed, in consultation with SEBI. The operational modalities shall include the following:

- A. Mechanism for order placement, execution, payment and settlement;
- B. Enabling bulk orders to be placed for trading in units;
- C. Issue related to suspension of trading, declaration of date for determining the eligibility of unitholders etc. in respect of payments to be made by the AMC as part of the winding up process;
- D. Disclosures to be made by AMCs including disclosure of NAV on daily basis and scheme portfolio periodically etc.

The stock exchange shall develop a mechanism along with RTA for trading and settlement of such units held in the form of SoA.

The AMC, its sponsor, employees of AMC and Trustee shall not be permitted to transact (buy or sell) in the units of such schemes that are under the process of being wound up. The compliance of the same shall be monitored both by the Board of AMC and Trustee.

7. Consolidation of Folios

In case an investor has multiple folios, the AMC reserves the right to consolidate all the folios into one folio



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with a consent from the unit holder(s) and based on such criteria as may be determined by the AMC from time to time. In case of additional purchases in the same scheme / fresh purchase in the new scheme, if the investor fails to provide the folio number, the AMC reserves the right to allot the units in the existing folio, based on such integrity checks as may be determined by the AMC from time to time.

8. Miscellaneous

Investors may note that in case of fresh/additional purchases, if the name of the Scheme on the application form/transaction slip differs with the name on the Cheque/Demand Draft/payment instrument/transfer letter, then the AMC will allot units under the Scheme mentioned on the application form. In case of fresh/additional purchases, if the Scheme name is not mentioned on the application form/transaction slip, then the units will be allotted under the Scheme mentioned on the Cheque/Demand Draft/payment instrument/transfer letter. The Plan/Option that will be considered in such cases if not specified by the customer will be the default option of the Scheme as per the SID. However, in case additional purchase is under the same scheme as fresh purchase, then the AMC reserves the right to allot units in the option under which units were allotted at the time of fresh purchase.

9. Bank Mandate Requirement

1. For all transactions initiated from the Exchange / Channel partners/ MFU route, the bank mandate registered with the respective intermediary / depository shall be considered as the default bank mandate in the folio.
2. For all transactions initiated from other than the above modes (except physical transactions), AMC shall conduct the Third Party Validations in accordance with the SEBI norms and applicable AMFI guidelines to ensure registration of the bank mandate in investor's folios.
3. Cases where the Third Party validations fail, an option shall be given to electronically submit a cheque leaf / bank statement / passbook copy of the investor in accordance with the SEBI norms and applicable AMFI guidelines to register the bank mandate in the investor's folio.
4. In case of failure to submit the above documents, the AMC reserves the right to reject the application also the AMC will not be liable in case the redemption/dividend proceeds are credited to the wrong account.
5. In case of Change of Bank Mandate in normal course of business, an option shall be provided to the investor to electronically submit the change request with requisite documentation which shall be validated as per the processes defined by the AMC to register / add the bank mandates in the investor's folio. This shall be followed by a cooling off period as defined from time to time by the AMC to process cases of redemption if redemption request is submitted within the cooling off period for change of Bank.
6. In case of Change of Bank Mandate requests along with redemptions requests, redemption proceeds will be issued / credited to the existing bank mandate account.

10. Consolidated Account Statement (CAS):

Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto, read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, the investor whose transaction** has been accepted by the AMC/Mutual Fund on or after October 1, 2011 shall receive the following:

- On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted by way of email and/or SMS within 5 Business Days from the date of receipt of transaction request will be sent to the Unit holders registered e-mail address and/or mobile number.
- Thereafter, a consolidated account statement (CAS)^ 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 15th of the succeeding month shall be sent by mail/e-mail.



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- ^Consolidated Account Statement (CAS) shall contain details relating to all the transactions** carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.
**The word 'transaction' shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions.
- For the purpose of sending CAS, common investors across mutual funds shall be identified by their Permanent Account Number (PAN).
- In case of a specific request received from the Unit holders, the AMC/Fund will provide the account statement to the investors within 5 Business Days from the receipt of such request.
- In the event the account has more than one registered holder, the first named Unit holder shall receive the CAS/account statement.
- 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.

Further, the CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September/ March), shall be sent by mail/e-mail on or before 10th day of succeeding month, to all such Unit holders in whose folios no transaction has taken place during that period. The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

The statement of holding of the beneficiary account holder for units held in demat will be sent by the respective DPs periodically.

Half Yearly Consolidated Account Statement (CAS)

A consolidated account statement detailing holding across all schemes at the end of every six months (i.e. September/ March), on or before 21st day of succeeding month, to all such Unit holders 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 the same in physical mode.

The statement of holding of the beneficiary account holder for units held in demat form will be sent by the respective DPs periodically.

The Account Statement shall state that the net investment as gross subscription less transaction charges, if any and specify the no. of units allotted against the net investment.

CAS for investors having Demat account:

- Investors having MF investments and holding securities in Demat account shall receive a single Consolidated Account Statement (CAS) from the Depository.
- Consolidation of account statement shall be done on the basis of Permanent Account Number (PAN). In case of multiple holding, it shall be PAN of the first holder and pattern of holding. For PANs which are common between depository and the AMC, the depository shall send the CAS. In other cases (i.e. PANs with no demat account and only MF units holding), the AMC/RTA shall continue to send the CAS to its unit holders as is being done presently in compliance with the Regulation 36(4) of the SEBI (Mutual Funds) Regulations.
- The CAS shall be generated on a monthly basis.



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- If there is any transaction in any of the Demat accounts of the investor or in any of his mutual fund folios, depositories shall send the CAS within fifteen days from the month end. In case, there is no transaction in any of the mutual fund folios and demat accounts then CAS with holding details shall be sent to the investor on a half yearly basis.
- In case an investor has multiple accounts across two depositories, the depository with whom the account has been opened earlier will be the default depository which will consolidate details across depositories and MF investments and dispatch the CAS to the investor. However, option shall be given to the demat account holder by the default depository to choose the depository through which the investor wishes to receive the CAS.
- Where statements are presently being dispatched by email either by the Mutual Funds or by the Depositories, CAS shall be sent through email. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered in the Depository system.
- If an investor does not wish to receive CAS, an option shall be given to the investor to indicate negative consent.

The dispatch of CAS by the depository would constitute compliance by the AMC/ the Fund with the requirement under Regulation 36(4) of SEBI (Mutual Funds) Regulations. The AMC reserves the right to furnish the account statement in addition to the CAS, if deemed fit in the interest of the investor(s).

11. Option to hold units in Dematerialized (Demat) Form

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011, Zerodha Mutual Fund provides an option to the investors of the Fund to mention demat account details in the subscription form, in case they desire to hold units in the dematerialized mode. The option to subscribe to the units in the dematerialized mode is available for all the schemes of the Fund, except for subscription through Systematic Investment Plan (SIP) and for plans / options, where dividend distribution frequency is less than one month.

12. Option to hold units in Dematerialized Form for SIP Transactions

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011 and further to the Addendum dated 26 October 2011 offering the option to hold units in dematerialized form, Zerodha Mutual Fund has extended the facility to investors of the Fund for investment made through Systematic Investment Plan (SIP) for all the Schemes of the Zerodha Mutual Fund offering SIP, with effect from 01 January 2012.

The allotment of units will be subject to the guidelines / procedures specified by the Depositories (NSDL / CDSL) from time to time.

13. Mailing of Annual Report or Abridged Summary

Pursuant to Regulation 56 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto, read with SEBI circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, the scheme wise annual report or an abridged summary thereof hereinafter shall be sent by AMC/Mutual Fund as under:

1. by e-mail to the Unit holders whose e-mail address is available with the Fund;
2. in physical form to the Unit holders whose email address is not available with the Fund and/or to those Unit holders who have requested for the same.

The physical copy of the scheme wise annual report or abridged summary shall be made available to the investors at the registered office of the AMC. A link of the scheme annual report or abridged summary shall be displayed prominently on the website of the Fund.



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C. GENERAL INFORMATION

Inter-Scheme Transfer of Investments

Please refer to the Section on Inter Scheme Transfer as specified in the relevant section above.

Associate Transactions

Underwriting obligations with respect to issues of Group/ Associate Companies:

Zerodha Mutual Fund has not entered into any underwriting contracts in respect of any public issue made by any group / associate company of the Sponsor.

Subscription to issues lead managed by Group / Associate Companies:

No Scheme(s) of Zerodha Mutual Fund has invested in any public issue lead managed by any Group/ Associate company of the Sponsor.

Investment in Sponsor and its Group Companies:

The Investment Manager from time to time, for the purpose of conducting its normal business, may use the services of the Sponsor and the subsidiaries and other associates of the Sponsor. The Investment Manager may utilise the services of the group companies and any other subsidiary or associate company of the Sponsor that may be established in case such an associate company is capable of providing the requisite services to the Investment Manager. The Investment Manager will conduct its business with the companies on commercial terms, on an arm's length basis and at prevailing market prices to the extent permitted under the applicable laws including the SEBI (MF) Regulations after an evaluation of the competitiveness of the pricing offered by the associate companies and services to be provided by them.

No Scheme(s) of Zerodha Mutual Fund has invested in sponsors or its group companies as on the date of this SAI.

Disclosure regarding payment of commission for distribution of units and payment of brokerage for securities transactions (for the past three financial years) pursuant to SEBI Circular No. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010:

- i. Commission paid to associates/related parties/group companies of sponsor/AMC - **Nil**
- ii. Brokerage paid to associates/related parties/group companies of sponsor/AMC - **Nil**
- iii. Dealing with Associates - **Nil**

Soft-dollar Arrangements

In terms of Clause F of SEBI Circular No. SEBI/HO/IMD/ DF2/CIR/P/2016/42 dated March 18, 2016, soft dollar arrangements between the Asset Management companies and brokers should be limited to only benefits (like free research report, etc.) that are in the interest of investors and the same should be suitably disclosed.

In this context, Zerodha Asset Management Private Limited ('the AMC') / Zerodha Mutual Fund ('the Fund') do not have any Soft-dollar arrangement with brokers. However, brokers do provide information-based services like free research reports etc. in the interest of taking more well informed decisions for the benefit



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of investors.

Further, the AMC / the Fund are under no obligation to use the services of any broker in lieu of these services.

UNCLAIMED REDEMPTION / IDCW AMOUNT (Standard Observation 13)

The unclaimed Redemption amount and IDCW amounts may be deployed by the Mutual Fund in money market instruments and / or a separate plan of Liquid scheme / Overnight scheme / Money Market Scheme floated by Mutual Funds specifically for deployment of the unclaimed amounts only. Investors who claim the unclaimed amounts during a period of three years from the due date shall be paid the initial unclaimed amount along-with the income earned on its deployment. Investors, who claim these amounts after 3 years, shall be paid an initial unclaimed amount along-with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education. The AMC will make a continuous effort to remind the investors to take their unclaimed amounts. The details of such unclaimed redemption/IDCW amounts are made available to investors upon them providing proper and correct credentials, on the website of Mutual Funds and AMFI along with the information on the process of claiming the unclaimed amount and the necessary forms / documents required for the same.

The information on unclaimed amount along-with its prevailing value (based on income earned on deployment of such unclaimed amount), will be separately disclosed to investors through the periodic statement of accounts/Consolidated Account Statement sent to the investors. The investment management fee charged by the AMC for managing the said unclaimed amounts shall not exceed 50 basis points.

Restrictions on Redemption (Standard Observation 10)

Pursuant to SEBI Circular no SEBI/HO/IMD/DF2/CIR/P/2016/57 dated May 31, 2016, the restriction on redemption may be imposed under following scenario that may lead to a systemic crisis or the efficient functioning of markets such as:-

- a) Liquidity issues – Market at large becomes illiquid affecting almost all securities rather than any issuer specific security.
- b) Market failures, exchange closures - Markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies.
- c) Operational issues – when exceptional circumstances are caused by force majeure, unpredictable operational problems and technical failures (e.g. a black out).

Subject to the approval of the Boards of the AMC and the Trustee and subject to necessary communication to SEBI, restriction on redemption would be imposed; the following procedure shall be applied:

- Restriction on redemption may be imposed for a specified period of time not exceeding 10 working days in any 90 days period.
- No redemption requests upto INR 2 lakh shall be subject to such restriction.
- Where redemption requests are above INR 2 lakh, AMCs shall redeem the first INR 2 lakh without such restriction and remaining part over and above INR 2 lakh shall be subject to such restriction.

Documents Available For Inspection

The following documents may be inspected during Business Hours on any Day (excluding Saturdays,



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Sundays and public holidays) at the registered office of the AMC.

1. Trust Deed and amendments thereto, if any
2. Investment Management Agreement;
3. Custodian Agreement;
4. Agreement with Registrar and Share Transfer Agents;
5. Memorandum and Articles of Association of the AMC;
6. Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto from time to time;
7. Indian Trusts Act, 1882;
8. Consent of the Auditors to act in the said capacity;
9. Registration Certificate for the Mutual Fund granted by SEBI; and
10. The scheme wise annual report.

Investor Grievance Redressal Mechanism

At Zerodha Mutual Fund, we believe in providing the best of our services to investors. We provide easy access to information on our products and services; we also help you get your grievances redressed at the earliest with ease through the following channels: -

Redressal through AMC:

Electronic Communication: Investors can send an email to support@zerodhafundhouse.com

Website: The investors can also write to the AMC by raising a ticket.

If the complaint remains unresolved, the investor may write to the Investor Relations Officer at iro@zerodhafundhouse.com

All queries/ complaints received at the AMC or CAMS (Grievance related to the AMC and/ or its schemes) will be handled & coordinated by AMC Investor Relations Team. The Investor Relations Team will also inform investors on the status of their query.

Investors may escalate to the Compliance Officer at compliance@zerodhafundhouse.com and/ or CEO at ceo@zerodhafundhouse.com, if they do not receive a response/ not satisfied with the response from the Investor Relations Team.

Redressal through SCORES:

If the investor's complaint is not redressed satisfactorily, the investor may lodge a complaint with SEBI on SEBI's portal, named, 'SCORES', which is a centralized web-based complaints redress system. SEBI takes up the complaints registered via SCORES (<https://scores.gov.in/scores/Welcome.html>) with the concerned mutual fund for timely redressal. SCORES facilitates tracking the status of the complaint.

The AMC will redress the grievance within 30 days of the receipt of the grievance through SCORES. If the grievance is not redressed within 30 days, then the Complaint shall be registered in SCORES. The AMC suggests to follow grievance redressal through the AMC before opting the option to redress through Registering on SCORES portal.

Investors can also register their grievance by registering themselves on SCORES if the investors do not receive a response within 30 days of approaching the AMC or if they are not satisfied with resolution received from the AMC.



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Redressal through physical letter to SEBI:

Investors may also send their physical complaints to:

Office of Investor Assistance and Education,
Securities and Exchange Board of India,
SEBI Bhavan. Plot No. C4-A,
'G' Block, Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051

Investor Compliant:

As on the date of SAI, there are **Nil** investor complaints.

Notes:

1. The Statement of Additional Information ('SAI') will be uploaded by Zerodha Mutual Fund on its website (www.zerodhafundhouse.com) and on AMFI website (www.amfiindia.com). The printed copy of SAI will be made available to the investor on request.
2. SAI will be updated within 3 (three) months from the end of each financial year and filed with SEBI.
3. Any material changes to SAI will be made on an ongoing basis by Zerodha Mutual Fund by updating SAI on its website (www.zerodhafundhouse.com) and on AMFI website (www.amfiindia.com). SEBI will be intimated of all such changes within 7 (seven) days. The effective date for all such changes will be mentioned in the updated SAI.
4. Notwithstanding anything contained in this SAI, the provisions of SEBI (MF) Regulations, 1996 and circulars and the guidelines thereunder shall be applicable. **(Standard Observation 18)**

**For and on behalf of
Zerodha Asset Management Private Limited**

Sd/-

(Vishal Jain)
Chief Executive Officer
ceo@zerodhafundhouse.com

Date: August 31, 2023

Place: Bangalore



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