

**STATEMENT OF ADDITIONAL INFORMATION (SAI)**

This Statement of Additional Information (SAI) contains details of Escorts 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 01.04.2010.

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

**A. Constitution of the Mutual Fund**

Escorts Mutual Fund (the "Mutual Fund") has been constituted as a trust on 15<sup>th</sup> April, 1996 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Escorts Finance Limited, as the Sponsor and Escorts Investment Trust Ltd. as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on 3<sup>rd</sup> July, 1996 under Registration Code MF/028/96/4.

**B. Sponsor**

Escorts Mutual Fund is sponsored by Escorts Finance Limited. The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs.1,00,000/- to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

The Sponsor was incorporated in 1987 and is a Non-Banking Financial Company, as per the Non-Banking Financial Companies (Reserve Bank) Directions, 1998. The Sponsor is primarily engaged in the business, inter alia of hire purchase, lease financing, consumer finance, corporate finance advisory services and money market operations.

**Financial Performance of Escorts Finance Ltd. (past three years):**

Particulars	2006 - 2007	2007 - 2008	2008 - 2009
Net Worth (Rs. Lakhs)	-18292.10	-16911.60	-18292.10
Total Income (Rs. Lakhs)	1343.68	291.36	337.10
Profit after tax (Rs. Lakhs)	-1104.60	1380.52	-313.40
Assets Under Management (if applicable)	N.A.	N.A.	N.A.

**C. The Trustee**

Escorts Investment Trust Ltd. the "Trustee"), through its Board of Directors, shall discharge its obligations as trustee of Escorts Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

**Details of Trustee Directors:**

Name	Age/Qualification	Brief Experience
Mr. Rajan Nanda 2, Friends Colony, New Delhi 110 065	67/ Senior Cambridge, Training in UK & Germany	He is an eminent Industrialist heading the Escorts Group and is the Chairman and Managing Director of Escorts Limited. He holds directorship in various companies.
Dr. Rakesh Khurana V - 9/10, DLF Phase - III Gurgaon, Haryana	62/ B.Sc. (Engg.), PGDBA (IIM Ahmbd.), MS (Mgmt.), Ph D	He is an academician and has over 3 decades of experience in leading academic and training institutes in India and abroad. He was Chairman of committees, which launched admission tests for Management and other disciplines (CAT/MAT) in 70's-80's. He was the first Director of the school of management IGNOU, Set up All India Management Association's (AIMA), Centre for Management Services (CME) and was responsible for launching the experiment of education and training through satellite (TDCC of ISRO, SINET etc.) in 90's.

Name	Age/Qualification	Brief Experience
Mr. Deba Prasad Roy, Apt. 505, Nestle 1, Pandukar Budhkar Marg, Lower Parel, Mumbai - 400013	69/M. Sc (Chem.)	He has over 40 years of experience in the area of Financial Services, Commercial & International Banking. His knowledge in financial sector is very detailed.
Mr. Ashok Kumar Bhargava, 3D Mukund Apartments, 16 Yamuna Road, Civil Lines, Delhi - 110 054.	67/ B. Com., LLB, CAIIB	He has over 40 years of experience in the area of Finance and Banking. He was nominated director by the state governments on the Boards of Haryana Financial Corporation, HP Financial Corporation and JK Financial Corporation and has rich experience in designing various software for the Banking Industry.

#### Duties and Responsibilities of the Trustee Company

As per Regulation 18 of SEBI (Mutual Funds) Regulations, 1996 :

- (1) The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.
- (2) 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.
- (3) The trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.
- (4) The trustees shall ensure before the launch of any scheme that the asset management company has:-
  - (a) systems in place for its back office, dealing room and accounting;
  - (b) 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;
  - (c) appointed auditors to audit its accounts;
  - (d) appointed 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;
  - (e) appointed registrars and laid down parameters for supervision;
  - (f) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
  - (g) specified norms for empanelment of brokers and marketing agents.
- (4A) The compliance officer appointed under clause (d) of sub-regulation (4) shall immediately and independently report to the Board any non-compliance observed by him.
- (5) The trustees shall ensure that an 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.
- (6) 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.
- (7) The trustees shall ensure that the transactions entered into by the asset management company are in accordance with these regulations and the scheme.
- (8) The trustees shall ensure that the asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.
- (9) The trustees shall ensure that all the activities of the asset management company are in accordance with the provisions of these regulations.

- (10) 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 Board of the violation and the action taken by them.
- (11) Each trustee shall file the details of his transactions of dealing in securities with the Trust on a quarterly basis.
- (12) The trustees shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with these regulations and the provisions of trust deed.
- (13) The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
- (14) The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.
- (15) The trustees shall obtain the consent of the unitholders -
  - (a) whenever required to do so by the Board in the interest of the unitholders: or
  - (b) whenever required to do so on the requisition made by three-fourths of the unit holders of any scheme: or
  - (c) when the majority of the trustees decide to wind up or prematurely redeem the units: or
- (15A) 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:-
  - (i) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
  - (ii) the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.”
- (16) The trustees on a quarterly basis 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.
- (17) The trustees shall quarterly review all transactions carried out between the mutual funds, asset management company and its associates.
- (18) The trustees shall quarterly review the networth of the asset management company and in case of any shortfall, ensure that the asset management company make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21.
- (19) The trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unitholders.
- (20) The trustees shall ensure that there is no conflict of interest between the manner of deployment of its networth by the asset management company and the interest of the unitholders.
- (21) The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.
- (22) The trustees shall abide by the Code of Conduct as specified in the Fifth Schedule.
- (23) The trustees shall furnish to the Board on a half yearly basis:-
  - (a) a report on the activities of the mutual fund covering the detail as prescribed by SEBI.
  - (b) a certificate stating that the trustees have satisfied themselves that there have been no instances of self dealing or front running by any of the trustees, directors and key personnel of the asset management company:
  - (c) a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and incase any activities of the nature referred to in sub-regulation (2) of regulation

- 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interest of the unitholders are protected.
- (24) The independent trustees referred to in sub-regulation (5) of regulation 16 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.
- (25) Trustees shall exercise due diligence as under:
- A. General Due Diligence
- (i) The Trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
  - (ii) Trustees shall review the desirability of continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float new schemes.
  - (iii) The trustees shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
  - (iv) The trustee shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.
  - (v) The trustees shall arrange for test checks of service contracts.
  - (vi) Trustees shall immediately report to the Board of any special developments in the mutual fund.
- B. Specific Due Diligence:
- The Trustees shall:
- (i) Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees.
  - (i) Obtain compliance certificates at regular intervals from the asset management company
  - (iii) Hold meeting of trustees more frequently.
  - (iv) Consider the reports of the independent auditor and compliance reports of asset management company at the meetings of trustees for appropriate action.
  - (v) Maintain records of the decisions of the Trustees at their meetings and of the minutes of the meetings.
  - (vi) Prescribe and adhere to a code of ethics by the Trustees, asset management company and its personnel.
  - (vii) Communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies.
- (26) Notwithstanding anything contained in (1) to (25), the trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.
- (27) The independent directors of the trustees or asset management company shall pay specific attention to the following, as may be applicable, namely:
- (i) the Investment Management Agreement and the compensation paid under the agreement.
  - (ii) Service contract with affiliates – whether the asset management company has charged higher fees than outside contractors for the same services.
  - (iii) Selection of the asset management company's independent directors.
  - (iv) Securities transactions involving affiliates to the extent such transactions are permitted.
  - (v) Selecting and nominating individuals to fill independent directors vacancies.
  - (vi) Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
  - (vii) The reasonableness of fees paid to sponsors, asset management company and any others for services provided.
  - (viii) Principal underwriting contracts and their renewals.
  - (ix) Any service contract with the associates of the asset management company.

Mr. Rajan Nanda is deemed to be an associate of the Asset Management Company during the last three financial years.



ESCORTS ASSET MANAGEMENT LTD.

The Trustee Company monitors the activities of the AMC on an ongoing basis by having in place, a number of checks and balances and asking for various reports besides periodic review of the various activities of EAML. It has a full time employee to monitor the activities of the Asset Management Company on a day to day basis. The Board of Directors of the Trustee (Company) met on 12 occasions during the year 2009-2010. It received the following Specific Reports from AMC :

1. Transactions with Associates.
2. Broker-wise transactions
3. Quarterly Net Worth of the AMC.
4. Performance of schemes.
5. Bi Monthly and Quarterly Reports
6. Balance sheet and Revenue & Expenditure Accounts

Besides, the compliance reports, which are submitted by EAML to SEBI, are also placed before the Board of Directors of the Trustee Company and discussed. In addition, it relies on Internal Audit Reports prepared by an independent firm of Chartered Accountants. Periodic declarations are taken from the staff and Directors of EAML and placed before the Board of Directors of the Trustee Company to peruse and to ascertain that there have been no instances of self dealing or front running. Meetings of the Board of Directors of the Trustee Company are held (atleast) once every two months and atleast six such meetings are held in every year.

The supervisory role of the Trustees is discharged by the Board of Trustees by having continuous feedback from the AMC on matters of importance and a review of the Mutual Fund's operations at the Board of Trustees meetings.

Dr. Rakesh Khurana, Mr. Deba Prasad Roy and Mr. Ashok Kumar Bhargava are independent trustees. Thus, three out of four trustees are independent trustees.

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 unitholders.

#### D. Asset Management Company

Escorts Asset Management Ltd. is a public limited company incorporated under the Companies Act, 1956 on 01.12.1995, having its Registered Office at 11, Scindia House, Connaught Circus, New Delhi. Escorts Asset Management Ltd. has been appointed as the Asset Management Company of the Escorts Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated 15<sup>th</sup> April 1996, and executed between Escorts Investment Trust Ltd. and Escorts Asset Management Ltd.

Shareholding pattern of the AMC (as on the date of last AGM i.e. 31.08.2009) specifying the percentage holding of various groups / companies and their activities :

S. No.	Name	% age of paid up equity share capital	Activities
1.	Escorts Finance Ltd.	49.00	Non-Banking Financial Company
2.	Escorts Ltd.	30.00	Manufacturing
3.	AAA Portfolios Pvt. Ltd.	21.00	Non-Banking Financial Company
	Total	100.00	

Details of AMC Directors:

Name	Age/Qualification	Brief Experience
Ms. Ritu Nanda	61/ B.A.	She has sharp business acumen and in-depth knowledge experience and was awarded for being No. 1 Agent in India for Life Insurance Corporation of India Ltd.
Ms. Nitasha Nanda	40/ B.Com (H)	She has varied experience in the field of finance ranging from Financial Planning, Budgeting, Forecasting, dealing with Financial Institutions & Banks to reviewing the operations and investment decisions of the Company and advising the research team.
Mr. Lailt K. Khanna	56/ B.Sc. (Hons.) - Physics, PGDBM - IIM Ahmbd.	He has been associated with the Escorts Group since 1978 and has looked after various important functions ranging from Raising of Funds, Project Appraisal, Financial Planning and Merger & Acquisition.
Prof. S.C. Kuchhal	82 / M.Com	He is an eminent academician. He served IIM (Ahmbd.) for 26 years (1962-88) as the IFCI Chair-Professor at IIM; Thereafter appointed IFCI Professor at FMS, Delhi; He has been a Visiting Professor to Mc-Gill University, earlier he worked as a Consultant to World Bank, RBI and Government of India and also advisor to the Chairman IFCI (1995); Currently Member, Board of Directors in several companies.
Mr. P.C. Gupta	68/ Fellow of Actuaries, London	He has been the Director (Actuarial) with LIC and evolved many products for LIC Mutual Fund for set up bid and offer calculation system in 1993. He also evolved nearly 20 products for LIC and upgraded the Valuation Systems.
Prof. Asish K. Bhattacharyya	60/ M. Com, C.A., ICWA	He worked for 17 years in accounting and finance functions in public sector and private sector enterprises and for 3 years as a consultant, for another 3 years as a Professor at S P Jain Institute of Management and Research, Mumbai. He then worked for 3 years as Director (Continuing Education) and 1 year as Technical Director at the Institute of chartered Accountants of India. He has been working as Professor with Indian Institute of Management Calcutta since December 1999.

Obligations of the Asset Management Company

As per Regulation 25 of SEBI (Mutual Funds) Regulations, 1996 :

- (1) 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.
- (2) 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.
- (3) The asset management company shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.
- (4) The asset management company shall submit to the trustees quarterly reports of each year on its activities and the compliance with these regulations.
- (5) 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.

- (6) 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 omissions, while holding such position or office.
- (6A) The Chief Executive Officer (whatever his designation may be) of the asset management company shall ensure the mutual fund complies with all the provisions of these regulations and the guidelines and 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.
- (6B) The fund managers (whatever the designation may be) shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unitholders.
- (7) (a) An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes.  
Provided that for the purpose of this sub-regulation, 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% shall apply for a block of any three months.
- (b) 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) which is average of 5% 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% 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.
- (8) An asset management company shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities:  
Provided that an asset management company may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.  
Provided further that the mutual funds shall disclose at the time of declaring half-yearly and yearly results;
- (i) any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies,
- (ii) devolvement, if any,
- (iii) subscription by the schemes in the issues lead managed by associate companies
- (iv) subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
- (9) The asset management company shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to the Board, as and when required by the Board.
- (10) 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.
- (11) 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.
- (12) The asset management company shall file with the trustees and the Board -
- detailed bio-data of all its directors alongwith their interest in other companies within fifteen days of their appointment; and
  - any change in the interests of directors every six months.
  - 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.
- (13) 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 the guidelines issued by the Board.
- (14) 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.
- (15) 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 reasons for charging higher rates shall be disclosed in the annual accounts.
- (16) The asset management company shall abide by the Code of Conduct as specified in the Fifth Schedule.

Information on Key Personnel:

Name / Designation	Age / Qualification	Brief Experience
Mr. Lalit K. Khanna Chief Executive Officer	55/ B.Sc. (Hons.) – Physics, PGDBM – IIM Ahmbd.	He has over 29 years of total experience. He has been associated with the Escorts Group since 1978 and has looked after various important functions ranging from Raising of Funds, Project Appraisal, Financial Planning and Merger & Acquisition.
Mr. Sanjay Arora Chief Investment Officer	38/ ACA, Grad CWA	He has 15 years of experience in the financial sector looking after investment and portfolio management related functions.
Mr. Pradeep Kumar Jain (Head Legal & Compliance)	42/ ACS, FCA	He has total 15 years of experience in Compliances, Finance & Accounts, Company Secretariat & and Taxation matters.
Mr. Jagveer Singh Fauzdar Fund Manager (Equity)	32/ MBA (Fin.) – Lucknow Univ.	He has total 6 years of experience in Equity Research and Portfolio Management
Mr. Sanjeev Sharma Fund Manager (Debt)	34/ M. Com., PGDBA (Finance) – Symbiosis Pune, PG Dip. – Computer Applications	He has total 6 years of experience in Debt Research
Ms. Sunjit Sahel Compliance Officer	40/ B. Com (H), FCS	She has over 14 years of experience in Compliances and Company Secretariat.



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Name / Designation	Age / Qualification	Brief Experience
Mr. Prabhash Chandra National Sales Head	40/ B.A. - Eco (H), MMS (SIBM Pune), AFP	He has total 16 years of experience. He also worked with UTI AMC – Product distribution, business development and other related activities.
Ms. Mohini Sharma Investor Relations & Registrar Services Officer	33/ B.Com	She has total 15 years of experience in Customer Service

E. Service providers

Custodian

Name: HDFC Bank Limited

Address: HDFC Bank Limited, Custodian and Depository Services, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai-400013

SEBI Registration Number : INBI00000063

Transfer agent

The Asset Management Company will perform and provide the services of Registrar and Transfer Agent on an on-going basis to the Unit holders of the Mutual Fund Scheme(s). The Trustee has satisfied itself, after undertaking appropriate due diligence measures that the Asset Management Company will be able to provide the requisite services and has adequate facilities, including computer facilities, and the capacity to discharge responsibilities with regard to processing of applications and dispatching Unit Certificates/ Statements of Account to Unit holders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints.

Fee is payable to the Asset Management Company, if any, for performing and providing the services of Registrar and Transfer Agent on an on-going basis to the Unit holders of the Mutual Fund Scheme(s) shall be charged at rates competitive with the market with the consent of the Trustees.

Statutory auditor

Name: M/s S.N. Dhawan & Co., Chartered Accountants

Address: C-37, Connaught Place, New Delhi- 110001.

Legal counsel

Escorts Asset Management Ltd.

11, Scindia House,  
Connaught Circus,  
New Delhi – 110 011.

Fund Accountant

Escorts Asset Management Ltd.

11, Scindia House,  
Connaught Circus,  
New Delhi – 110 011.

Bankers

HDFC Bank Ltd.

G 3/4, Surya Kiran Building,  
19 K.G. Marg,  
New Delhi – 110 001

SEBI Registration Number : INBI00000063

Procedure followed by the Mutual Fund for taking investment decisions

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

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

F. Condensed financial information (CFI) :

Escorts Infrastructure Fund						
Date of allotment of Units	21.09.2007					
Historical per unit statistics (Rs. / Unit)	21.09.2007 to 31.03.2008		01.04.2008 to 31.03.2009		01.04.2009 to 31.03.2010	
	Dividend	Growth	Dividend	Growth	Dividend	Growth
NAV at the beginning of the year	10.5124	10.5124	10.5172	10.5111	4.97	4.97
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
NAV at the end of the period	10.5253	10.5192	4.9692	4.9664	8.30	8.30
Annualised Return*(%)	7.70*		-52.75		67.15	
Net Assets at the end of period (Rs. Crs.)	11.96		4.94		7.4601	
Ratio of recurring expenses to Net Assets(%)	2.50		2.50		2.50	

\* = Annualised Return  
Return given only for Growth Option.

Escorts Leading Sectors Fund				
Date of allotment of Units	25.08.2008			
Historical per unit statistics (Rs. / Unit)	29.08.2008 to 31.03.2009		01.04.2009 to	31.03.2010
	Growth	Dividend	Growth	Dividend
NAV at the beginning of the year	9.7100	9.7100	5.5300	5.5300
Dividends	0.00	0.00	0.00	0.00
NAV at the end of the period	5.5335	5.5332	10.1900	10.1900
Annualised Return*(%)				84.09
Net Assets at the end of period (Rs. Crs.)				1.0887
Ratio of recurring expenses to Net Assets(%)	2.50			2.50

\* = Absolute Return  
Return given only for Growth Option.

Escorts Power & Energy Fund				
Date of allotment of Units	15.10.2008			
Historical per unit statistics (Rs. / Unit)	20.10.2008 to 31.03.2009		01.04.2009 to	31.03.2010
	Growth	Dividend	Growth	Dividend
NAV at the beginning of the year	10.0357	10.0357	10.3200	10.3200
Dividends	0.00	0.00	0.00	3.00
NAV at the end of the period	10.3215	10.3217	13.5300	13.5300
Annualised Return*(%)	3.22		63.45	
Net Assets at the end of period (Rs. Crs.)	0.94		2.6386	
Ratio of recurring expenses to Net Assets(%)	2.50		2.50	

\* = Absolute Return  
Return given only for Growth Option.

### III. HOW TO APPLY

1. The Application Form may be used by resident and non-resident investors.
2. The Application Form must be completed in English in BLOCK LETTERS. Please tick (√) in the appropriate box, where boxes (□) have been provided.
3. Application under Power of Attorney: In case of an Application under a Power of Attorney or by a limited company or a body corporate or a registered society or a trust, the original Power of Attorney or a duly notarised copy thereof or the relevant resolution or authority to make the application, as the case may be or a duly certified copy thereof along with a duly certified copy of the memorandum and articles of association and/ or the bye-laws, if any must be submitted to the Asset Management Company at New Delhi, at the earliest but in any case no later than 7 days from the date of closure of the new fund Offer Period.
4. Applications must clearly indicate:
  - Residential Status (Resident / Non Resident), basis (repatriable / non-repatriable)
  - the Investment Option(s) may clearly be indicated. Otherwise, it will be presumed that the application is for Units under the Growth Option and will be dealt with accordingly.
  - The mode of holding i.e., 'single', 'either or survivor', 'anyone or survivor' or 'joint', in the space provided in the application.
  - The first-named/ sole investor may specify another person as his/her nominee to be entitled to receive payments due on the Units, in case of his/her death and provide details of the nominee in the space provided in the application.
  - The first-named/ sole investor should, to prevent fraudulent encashment of dividend / redemption warrants, fill in his/ her/ its bank account particulars, in their applications / requests for redemption. This is a mandatory requirement.
5. In terms of SEBI Circular No. MRD/DoP/Cir-05/2007 dated 27.04.2007, Permanent Account Number (PAN) is the sole identification number for all transactions in the securities market, irrespective of the amount of transaction, with effect from 02.07.2007. Hence, all applications for investment in the scheme should be accompanied by PAN number of the investor and all the investors in case of joint investors. Further, as per SEBI Circular No. MRD/DoP/Cir- 08/2007 dated 25.06.2007, in light of the above-mentioned Circulars, it was decided to discontinue with the requirement of Unique Identification Number (UIN) under the SEBI (Central Database of market Participants Regulations), 2005 (MAPIN regulations)/circulars.
6. Applicants are encouraged to provide their email addresses in the application form to enable the Fund to send them various investor communications more efficiently, on request basis.
7. Applications complete in all respects may be lodged on or before the date of closure of the New Fund Offer Period as follows:
  - Applications accompanied by subscription amount in cash or by cheque/ demand draft, to be deposited by Resident investors with the collecting branches of the bankers to the new fund Offer, mentioned in the application.
  - Applications accompanied by subscription amount by cheque/ demand draft, to be deposited by Non-Resident investors with the NRI collecting branches of the bankers to the new fund Offer, mentioned in the application.
  - Applications by mail, from investors located at places where there are no collecting branches of the bankers to the New fund Offer should be sent, preferably by Registered Post to the Asset Management Company accompanied by the subscription amount by cheque / demand draft.

#### Important

- No receipt will be issued for the application. However, the Acknowledgement Slip, at the bottom of the application, duly initialled/ stamped by collecting branches of the bankers to the New Fund Offer shall be issued to the investor for future

reference. All communication in respect of the application should be sent to the Asset Management Company quoting the full name of the investor, application serial number, number of Units applied for, date on which and name of the collecting branch of the bankers to the New Fund Offer.

#### Rejection of Applications

The following kinds of Applications are liable to be rejected :

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

#### Lien on Units

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

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

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

#### Pledge of Units

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

#### Know Your Customer (KYC)

KYC is mandatory under the Prevention of Money Laundering Act, 2002 for all applications for subscriptions of Rs. 50,000 and above. This will be applicable for investments from individual investors including joint holding / institutional customers / other non-institutional investors / investments through power of attorney holders / investments of minor through guardian. The KYC requirements can be completed by filling up the prescribed form and submitting the same along with the other requisite details / proof (attested true copies of supporting documents relating to proof of identity and address or verification with the original) to a designated Point of Service (PoS) of CDSL Ventures Limited (CVL). Any subsequent change to Address, Pin Code, Country, Nationality, Occupation, Income details, Date of Birth, Proof of Identity need to be communicated to



ESCORTS ASSET MANAGEMENT LTD.

CVL ONLY. For details of the process and list of PoS, please visit our website <http://www.escortsmutual.com>. In case investor has completed the KYC Compliance process, without submitting a copy of PAN Card, he/she must forthwith provide a copy PAN Card alongwith the copy of KYC compliance acknowledgment to CVL.

Each investor (including joint unit holder) who wishes to invest an amount of Rs. 50, 000/- or more need to obtain this KYC confirmation letter from CVL and quote the same in the application form for investing in the schemes of Mutual Fund.

Please note that in this NFO, any investment of Rs. 50, 000 and above will require all applicants to be KYC compliant.

#### Inter Plan Switching

With effect from not later than 30 days after the close of the New Fund Offer Period, unitholders will have the option to switch all or part of their investment(s) from one investment plan of this scheme to the other investment Plan of this scheme. The switch will be affected by way of redemption of Units of the relevant investment Plan of this scheme and re-investment of the redemption proceeds in the other investment plan of the Scheme selected by the unitholder on the prevailing terms of the Scheme.

The price at which the Units will be switched out of the Scheme will be at the applicable NAV on the Business Day of acceptance of switching request and the net proceeds will be invested in the other investment Plan of the Scheme at the prevailing purchase price for Units in that Investment Plan.

#### Basis of Allotment

Full allotment will be made to all valid applications received during the New Fund Offer Period. Allotment to NRIs/OCBs/FIIs will be subject to RBI approval, if any, required.

#### Refunds

Refund warrants for the following amounts will be dispatched within 30 days from the date of closure of the New Fund Offer Period:

1. Where an application is rejected in full, the subscription amount in full;
2. Where an application is accepted in part, the excess subscription amount;
3. For applications accompanied by payment in the form of foreign exchange/Dollar drafts, where the remittance is in excess of the subscription amount due on the nearest lower multiple of 100 Units, the excess subscription amount;
4. If the entire subscription does not amount to target amount of Rs. 10 lakhs, on the date of closure of the New Fund Offer Period, then the entire subscription amount in full and the Scheme shall be deemed to have been terminated.
5. No interest will be payable on any subscription amount so refunded. However, if the Mutual Fund fails to refund the above excess subscription amount, if any within 6 weeks from the date of the New Fund Offer Period, then interest @ 15% per annum will be paid out of the assets of the Mutual Fund for the Period thereafter.
6. Refund warrants, marked "A/c Payee Only" will be drawn in the name of the investor and dispatched by registered post A.D. to the address of the sole/first-named investor as per the application.

#### Duplicate Statements Of Account/Dividend Warrants/ Redemption Warrants, Consolidation Of Accounts.

- The Asset Management Company may, subject to compliance with such requirements as it deems necessary, issue duplicate Statement(s) of Account/dividend warrant(s) redemption warrant(s) reported to have been stolen, lost or destroyed and defaced, torn or mutilated.
- Unit holder(s) having more than one account per investment Option may apply to the Asset Management Company, for consolidation of account.
- The Asset Management Company shall endeavour to dispatch duplicate/consolidated Statement(s) of Account/dividend warrant(s) redemption warrants to the Unit holder by ordinary post/registered post, as the case may be,

at the Unit holder's risk within a period of 30 days from the date of valid lodgement of request/indemnity bond.

#### Register Of Unit Holders

The following provisions shall apply to the registration of holders of Units under the Scheme:

1. A Register of Unit Holders shall be maintained at the office of the Asset Management Company at New Delhi and at such other places as the Trustee may decide. The Register may be maintained on magnetic media.
2. The Register of Unit holders shall contain, inter alia, the following particular:
  - The name(s) and address(es) of Unit holder(s);
  - The account number and the number of Units (upto three decimal places) held by every Unit holder; and
  - The date from which Units are held in the name of the Unit holders(s).
3. In the event of death, insolvency or winding up of a sole Unit holder, any other persons(s) being entitled to the same, and upon recognition of the claim(s) in such manner as the Trustee/AMC may deem necessary, shall be registered as the Unit holder(s)
4. Where Units are held in the name of two or three persons, such persons shall be deemed to hold the units jointly. In all such cases:
  - It shall be deemed that the first of such persons is the Unit holder and all correspondence, if any shall be only by the first of such persons;
  - All payments and settlements shall be made to the first of such persons and a receipt thereof shall be a valid discharge of the obligations in this regard;
  - All correspondence, for and on behalf of the Mutual Fund, shall be only with the first f such persons; and
  - In the case of death, insolvency or winding up of any such person(s), the survivor(s) amongst such person(s) shall be the only person(s) recognized by the Mutual Fund as having any title or interest in the Units. In the case of death, insolvency or winding up of all such person(s), provisions applicable to a sole Unit holder, as above shall apply in respect of the first of such person(s)
5. Any change in the name and address of the Unit holder shall be notified to the Mutual Fund.
6. If the unit holder pledges or otherwise charges the Units as security with scheduled commercial banks and financial institutions or other authority, the interest of the pledgee/charge holder, on intimation to the Asset Management Company shall be noted.
7. If the Unit holder grants a Power of Attorney in favour of any person(s) to act on his/her/its behalf, in respect of the Units, the power of attorney holder(s) shall have the same recorded with the Asset Management Company. Until such power of Attorney is revoked, with the consent of the persons(s) in whose favour the same is granted, the Asset management Company shall act only on instructions issued by such Power of Attorney Holder(s).
8. The unit holder may provide a Bank Mandate and have the same recorded with the Asset management Company. Until the same is revoked the Asset Management Company shall make all payments due as per the particulars of the Bank Mandate.
9. Nomination: The Unit holder may specify another person as his/her nominee to be entitled to receive payments due on the Units in the event of his/her death. In such an event, all payments and settlements shall be made to such nominee, provided such nomination is previously recorded with the Asset Management Company and a receipt thereof shall be a valid discharge of the obligations in this regard.

#### Unclaimed Redemption Amounts

The unclaimed redemption amount shall be deployed by the mutual fund in call money market or money market instruments only and the investors who claim these amounts during the period of 3 years from the due date shall be paid at the prevailing NAV. After a period of 3 years this amount shall be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned can be used for the purpose of investor education. The AMC shall make a continuous effort to remind the investors through letters to take their unclaimed amounts.

IV. RIGHTS OF UNITHOLDERS OF THE SCHEME

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption / Switch of Units shall be despatched to the Unit holder within 10 business days of the Specified Redemption Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - whenever required to do so by SEBI, in the interest of the Unit holders.
  - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
  - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
  - The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless :
    - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
    - (ii) the Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
8. 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.
9. An abridged Scheme-wise Annual Report of the Mutual Fund shall be mailed to the Unit holders not later than six months from the date of closure of the relevant accounting year and full annual report shall be available for inspection at the head office of the fund and a copy shall be made available to the unitholders on request on payment of nominal fees, if any. Before expiry of one month from the close of each half year that is on 31/3 and 30/9, the fund will publish its unaudited financial results in prescribed format as per SEBI Circular MFD/CIR/1/200/2001 dated 20.04.2001 in one national English daily newspaper and in a newspaper in the language of the region where the HO of the fund is situated.
10. Before expiry of one month from the close of each half year, that is on 31/3 and 30/9, the Mutual Fund will publish its scheme portfolio in the prescribed format as per SEBI circular MFD/CIR/9/120/2000 dated November 24, 2000 in one national English daily newspaper and in a newspaper in the language of the region where the HO of the fund is situated. These shall also be displayed on the website of the mutual fund and that of AMFI
11. Subject to the provisions of the Regulations as amended from time to time, the consent of the Unitholders shall be obtained, if necessary through postal ballot/mail, in consultation with SEBI. Each Unitholder shall be entitled to one vote for each unit held by him in respect of each resolution to be passed.
12. The investor has the right to inspect any or all the documents listed hereinafter under the heading "Documents for Inspection".

13. All Units rank pari passu as to the assets, earnings and the receipt of the dividends or distributions, if any, of the Scheme/ Investment Option.
14. The Annual Report containing accounts of the AMC shall be displayed on the website of the mutual fund. It should also be mentioned in the Annual Report of Mutual Fund schemes that the Unitholders, if they so desire, may request for the Annual Report of the AMC.
15. Suspension or restriction of repurchase / redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the Asset Management Company and the Trustees. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.

#### V. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

##### VALUATION

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time.

1. Traded Securities:
  - (i) The securities shall be valued at the last quoted closing price on the stock exchange.
  - (ii) When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded.
  - (iii) When on a particular valuation day, a security has not been traded on the Principal stock exchange, the value at which it is traded on another stock exchange may be used.
  - (iv) When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

When a debt security (other than Government Securities) is not traded on any stock exchange on any particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to valuation date. When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase.

2. Thinly Traded Equity/Equity Related Securities: "When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly. In order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.
3. Non Traded Securities: When a security (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non traded' security.

Valuation Of Non-Traded / Thinly Traded Securities Non traded/ thinly traded securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below:

- (i) Non-traded / thinly traded equity securities:
  - (a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:

- (b) 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.
- (c) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (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 10% for ill-liquidity so as to arrive at the fair value per share.
- (e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- (f) 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.
- (g) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.  
To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.
- (ii) (a) Non Traded /Thinly Traded Debt Securities of Upto 182 Days to Maturity: As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process should be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non-traded Non Government debt instruments shall be valued using the method suggested in (ii)(b).
- (ii) (b) Non Traded/ Thinly Traded Debt Securities of Over 182 Days to Maturity: For the purpose of valuation, all Non Traded Debt Securities would be classified into "Investment grade" and "Non Investment grade" securities based on their credit ratings. The non-investment grade securities would further be classified as "Performing" and "Non Performing" assets.
- All Non Government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described in the applicable SEBI circular.
  - All Non Government non-investment grade performing debt securities would be valued at a discount of 25% to the face value.
  - All Non Government non-investment grade non-performing debt securities would be valued based on the provisioning norms.
4. Valuation of securities with Put/Call Options: The option embedded securities would be valued as follows:  
Securities with call option: 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.  
Securities with Put option: 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.

Securities with both Put and Call option on the same day: The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

5. Government securities : Government securities will be valued as per SEBI Guidelines.

6. Illiquid Securities:

(a) Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

Provided that in case any scheme has illiquid securities in excess of 15% of total assets as on September 30, 2000 then such a scheme shall within a period of two years bring down the ratio of illiquid securities within the prescribed limit of 15% in the following time frame:

(i) all the illiquid securities above 20% of total assets of the scheme shall be assigned zero value on September 30, 2001.

(ii) All the illiquid securities above 15% of total assets of the scheme shall be assigned zero value on September 30, 2002.

(b) All funds shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the Unitholders. In the list of investments, an asterisk mark shall also be given against all such investments, which are recognised as illiquid securities.

(c) Mutual Funds shall not be allowed to transfer illiquid securities among their schemes w.e.f. October 1, 2000.

(d) In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.

(e) Where a scheme has illiquid securities as at September 30, 2001 not exceeding 15% in the case of an open-ended fund and 20% in the case of closed fund, the concessions of giving time period for reducing the illiquid security to the prescribed limits would not be applicable and at all time the excess over 15% or 20% shall be assigned nil value.

7. Value of "Rights" entitlement

a) Until they are traded, the value of the "rights" entitlement would be calculated as:  $V_r = n/m \times (P_{ex} - P_{of})$  where  $V_r$  = Value of rights,  $n$  = no. of rights Offered,  $m$  = no. of original shares held,  $P_{ex}$  = Ex-Rights price,  $P_{of}$  = Rights Offer price

b) Where the rights are not traded pari-passu with the existing shares, suitable adjustments would 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 would be valued at the renunciation value.

8. Expenses and Incomes Accrued: All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day-to-day basis. The minor expenses and income will be accrued on a periodic basis, provided the non-daily accrual does not affect the NAV calculations by more than 1%.

9. Changes in securities and in number of units: Any changes in securities and in the number of units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, given the frequency of NAV disclosure, the recording may be delayed up to a period of seven days following the date of the transaction, provided as a result of such non recording, the NAV calculation shall not be affected by more than 1%. The valuation guidelines as outlined above are as per prevailing Regulations and are subject to change from time to time in conformity with changes made by SEBI.
10. Valuation of Derivative Products:
  - i. The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time.
  - ii. The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.
11. Valuation of Debt and Money Market Instruments (SEBI/IMD/CIR No.16/193388/2010 dated 02.02.2010) (w.e.f. - July 1, 2010) :

I. Valuation of money market and debt securities with residual maturity of upto 91 days:

All money market and debt securities, including floating rate securities, with residual maturity of upto 91 days shall be valued at the weighted average price at which they are traded on the particular valuation day. When such securities are not traded on a particular valuation day they shall be valued on amortization basis. It is further clarified that in case of floating rate securities with floor and caps on coupon rate and residual maturity of upto 91 days then those shall be valued on amortization basis taking the coupon rate as floor.

II. Valuation of money market and debt securities with residual maturity of over 91 days:

All money market and debt securities, including floating rate securities, with residual maturity of over 91 days shall be valued at weighted average price at which they are traded on the particular valuation day. When such securities are not traded on a particular valuation day they shall be valued at benchmark yield/matrix of spread over risk free benchmark yield obtained from agency(ies) entrusted for the said purpose by AMFI.

## V. TAX & LEGAL & GENERAL INFORMATION

### A. Taxation on investing in Mutual Funds

The certain tax benefits are available to the Mutual Fund and the Unit holders as mentioned hereinafter.

It may however be noted that the information given hereinafter is only for general information purposes and is based on the advice received by the AMC regarding the law and practice currently in force in India and the Investors/ Unit holders should be aware that the relevant fiscal rules or their interpretation may change or it may not be acceptable to the tax authorities. As is the case with any interpretation of any law, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will be accepted by the tax authorities or will continue to be accepted by them indefinitely. Further statements with regard to tax benefits mentioned herein below are mere expressions of opinion and are not representations of the Mutual Fund to induce any investor to acquire units whether directly from the Mutual Fund or indirectly from any other persons by the secondary market operations. In view of the above, and since the individual nature of tax consequences may

differ in each case on its merits and facts, each Investor / Unit holder is advised to consult his / her or its own professional tax advisor with respect to the specific tax implications arising out of its participation in the Scheme, as a unit holders. In view of the above, it is advised that the unit holders appropriately consult their investment / tax advisors in this regard.

To the Mutual Fund:

The entire income of the Fund registered under Securities and Exchange Board of India Act, 1992 or any regulations made there under is exempt from Income-tax in accordance with the provisions of section 10(23D) of the Income-tax Act, 1961 ("the Act"). The income received by such fund is not liable for deduction of income tax at source under the provisions of Section 196(iv) of the Act.

As per Chapter VII of the Finance (2) Act of 2004 ("Finance Act") a Securities Transaction Tax ("STT") shall be levied in respect of "taxable securities transaction". Taxable securities transactions include purchase or sale of units of an equity oriented fund entered into on the stock exchange or sale of units of an equity oriented fund to the mutual fund.

An "equity oriented fund" has been defined in Chapter VII of the Finance Act, to mean a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five per cent of the total proceeds of such fund and which has been set up under a scheme of a Mutual Fund. The provisions of Chapter VII of the Finance Act shall, therefore, also apply to the Fund wherein the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of total proceeds of such fund. The percentage of equity shareholding of the Fund shall be computed with reference to the annual average of the monthly averages of the opening and the closing figures. For this purpose, the Fund will reckon the month as the "calendar month" and the monthly averages would be computed up to the last calendar month preceding the relevant date of distribution/repurchase. Also, where a period of twelve months has not elapsed before the relevant date, the Fund will compute the annual average for the limited number of calendar months that have elapsed.

The purchaser or seller of units of an equity oriented fund is liable to pay STT at the rate of 0.125 per cent where the purchase or sale is entered into on a recognized stock exchange and the contract for the purchase or sale of such units is settled by actual delivery or transfer of such units.

Further, the seller of units is also liable to pay STT at the rate of 0.025 per cent in case of sale of units of an equity oriented fund where the transaction of such sale is entered into in a recognized stock exchange and the contract for the sale of such units is settled otherwise than by the actual delivery or transfer of such units.

At the time of sale of units of equity oriented fund to the mutual fund the seller is required to pay an STT of 0.25% Under section 115R, the income distribution, if any, made by the Mutual Fund will attract distribution tax @ 12.5% plus surcharge at the rate of 10% or as may be applicable from time to time and an additional surcharge by way of Education Cess at the rate of 2% on the amount of tax and surcharge and Secondary & Higher Education Cess of 1% of the tax and surcharge, in case income is distributed to individuals and HUFs and at 20% plus surcharge on such income-tax at the rate of 10% or as may be applicable from time to time and an additional surcharge by way of Education Cess at the rate of 2% on the amount of tax and surcharge and Secondary & Higher Education Cess of 1% of the tax and surcharge in case of income distributed to persons other than individuals and HUFs on the income distributed by the Fund.

Further, as per the provisions of the Act, exemption has been granted to equity oriented mutual funds from paying distribution tax on income distributed by such funds. Whether the fund qualifies as an equity oriented Fund or not, would depend upon the investment pattern of the fund and would be determined at the time of distribution of income/repurchase of Units by the Fund. Based on the same, if the Fund does not qualify as an equity oriented fund, dividend distribution tax will be applicable at the rates set forth above. Further, in such a situation, STT would not be applicable.

To the Unit Holders:

1. Incomes from Units

Under the provisions of section 10(35) of the Act, any income (other than income arising from transfer of units) received by any person in respect of the units of the mutual fund is exempt from income tax.

Under the Chapter VII of the Finance Act, STT at the rate of 0.25% is to be paid by the Unit holder for sale of a unit of equity oriented fund to the Mutual Fund. However, if the Fund does not qualify to be equity oriented Fund as mentioned in the section above, no STT would be payable on purchase and sale of the units of the Fund by the unit holders.

2. Capital Gains

a) Resident Individual, Hindu Undivided Family, Partnership firm, Indian Company, Non Resident (Other than Overseas Financial Organisation)

i. Capital gain arising on transfer or redemption of units held for a period of more than 12 months is regarded as "Long-term Capital Gain" which otherwise would be "Short-term Capital Gain".

ii. As per the newly inserted section 10(38) of the Act, where STT is attracted, long-term capital gains tax will be nil. In cases where STT is not attracted or exempted, as in units of mutual funds other than equity-oriented funds, the normal capital gains tax will apply.

iii. Income tax on Long-term Capital Gain in case where STT is not attracted shall be lower of the following amount -

- 10% plus applicable surcharge\* and an additional surcharge by way of education cess at the rate of 2% on the amount of tax and surcharge and Secondary & Higher Education Cess of 1% of the tax and surcharge, on the Long-term Capital Gains computed without substituting indexed cost of acquisition in place of the cost of acquisition, or;

\* = Surcharge shall be applicable at the following rates:

- In case of Domestic Companies at the rate of 10% in case net income exceeds Rs. 1 Crore.
- In case of Foreign Companies at the rate of 2.5% in case net income exceeds Rs. 1 Crore.

- 20% plus applicable surcharge\* and an additional surcharge by way of education cess at the rate of 2% on the amount of tax and surcharge, on the Long-term Capital Gain computed after substituting indexed cost of acquisition in place of the cost of acquisition.

iv. In case where the taxable income as reduced by Long-term Capital Gains of a resident individual and Hindu Undivided family is below the taxable limit, the Long-term Capital gain will be reduced to the extent of such shortfall and only the balance Long-term Capital Gain is chargeable to Income-tax.

v. The following deductions are available from long term capital gains arising on sale of units, if the sale proceeds are invested in eligible avenues:

	Section 54 EC	Section 54F
Eligible persons	All unit holders	Individual and HUFs
Asset to be purchased to claim exemption	Specified Bonds of National Highways Authority of India and Rural Electrification Corporation Limited	Residential house property
Time-limit for purchase from date of sale of MF units	6 months	Purchase: 1 year backward / 2 years forward & Construction: 3 years forward

Amount Exempt	Investment in the new asset or capital gain whichever is lower	Capital gains proportionate to the investment made from the sale proceeds
Lock-in period	3 years	3 years

The exemption above as discussed in the table above would be available subject to fulfillment of such other conditions as laid down in the respective sections.

- vi. According to Section 111A of the Act inserted by the Act, any transaction where STT is attracted, the short-term capital gains tax will be 15% of the short-term capital gains. The said tax rate would be increased by applicable surcharge\*. Further, an additional surcharge of 2% by way of Education Cess and Secondary & Higher Education Cess of 1% of the tax and surcharge would be charged on amount of tax and surcharge.
  - vii. The Short-term Capital Gains where STT is not attracted is liable to tax in the same manner as income from any other sources. The rate of tax varies on the basis of the nature of entity.
  - viii. Switching between Schemes will also be liable to capital gains tax.
- b) Overseas Financial Organisation fulfilling conditions laid down under section 115AB (Offshore Fund):
- i. Under section 115AB of the Act, long-term capital gains arising to an Overseas Financial Organisation from transfer of units purchased in foreign currency will be chargeable to tax at the rate of 10%, plus surcharge at the rate of 2.5% (in case net income exceeds Rs. 1 Crore) and an additional surcharge by way of Education Cess at the rate of 2% on the amount of tax and surcharge and Secondary & Higher Education Cess of 1% of the tax and surcharge. Such gain would be calculated without indexation of cost of acquisition.
  - ii. Overseas Financial Organisation means any fund, institution, association or body, whether incorporated or not, established under the laws of a country outside India, which has entered into an arrangement for investment in India with the mutual fund and such arrangement is approved by SEBI for this purpose.
  - iii. The Short-term Capital Gains is liable to tax in the same manner as income from any other sources. The rate of tax varies on the basis of the nature of entity.
- c) Deduction of Income tax At Source From Capital Gains:
- i. Resident Individual, Hindu Undivided Family, Partnership firm and Indian Company:  
No income tax is required to be deducted at source from capital gains
  - ii. Non-Resident (Other than Overseas Financial Organisation)  
Income-tax is required to be deducted at source from the capital gains under section 195 of the Act. In the case of an assessee of a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be withheld as per provisions in the Act or as per the provisions in the DTAA which ever is more beneficial to the non-resident holder. However, such a non-resident unit holder will be required to provide appropriate documents to the Fund, to be entitled to a beneficial rate under such DTAA.
  - iii. Overseas Financial Organisation  
Under Section 196B of the Act, tax shall be deducted at source from the long-term capital gains @10% plus surcharge at the rate of 2.5% (in case net income exceeds Rs. 1 Crore) and an additional surcharge by way of Education Cess at the rate of 2% on the amount of tax and surcharge and Secondary & Higher Education Cess of 1% of the tax and surcharge.

Income-tax is required to be deducted at source from the short-term capital gains under section 195 of the Act plus applicable surcharge (in case net income exceeds Rs. 1 Crore). An additional surcharge of 2 per cent by way of education cess would be charged on amount of tax inclusive of surcharge. In the case of an assessee of a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be withheld as per the provisions of the Act or the provisions in the DTAA which ever is more beneficial to the assessee. However, the Unit holder will be required to provide appropriate documents to the Fund, to be entitled to a beneficial rate under such DTAA.

- d) Dividend Stripping  
All Unit holders  
As per Section 94(7) of the Act, loss arising on sale of Units, which are bought within 3 months of the record date and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Units.
  - e) Bonus Stripping  
All Unit holders  
As per Section 94 (8) of the Act, units purchased within a period of 3 months prior to record date of entitlement of bonus and sold within a period of 9 months after such date the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax.
3. Religious and Charitable Trust:  
Investments in Units of the Mutual Fund will rank as an eligible form of investment under section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962 for Religious and Charitable Trust.

#### Wealth-tax

Units held under the Scheme of the Fund are not treated as assets within the meaning of section 2(ea) of the Wealth-tax Act, 1957 and are, therefore, not liable to Wealth-tax.

#### Gift-tax

The Gift-tax Act, 1958 has ceased to apply to gifts made on or after 1<sup>st</sup> October, 1998. Gifts of Units, purchased under the respective Plans, would therefore, be exempt from gift tax. Where however the gifts, exceeding Rs. 50,000, made on after 1-9-04, the same is to be included as income in the hands of donee under new sub-clause (xiii) inserted in section 2(24) read with Section 56(vii) of the Income-tax Act, 1961.

The tax benefits to the Mutual Fund and Unit Holders is in accordance with the prevailing tax laws.

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.

#### B. Legal Information

##### Multiple Nomination Facility

Multiple Nomination Facility is available only for individuals applying on their own behalf i.e. singly or jointly. The Unitholders may nominate one or more than one person in whom the Units held by the Unitholder(s) shall vest in the event of the demise of the Unitholder. Accordingly, Multiple nominees can be designated per folio.

Unitholders are requested to note that in case of multiple nominations, it is mandatory to indicate the percentage allocation in favour of the nominees clearly in the nomination forms / request letter so as to enable the AMC to appropriately discharge its obligation. It may be noted that if the percentage allocation is not mentioned or is left blank, then the AMC shall apply the default option of equal distribution among all the nominees as designated by the deceased Unitholder.

Non Resident Indians can be nominated as per the guidelines issued by the RBI from time to time. Applicants can change the nomination at any time during the tenure of the Scheme. Those who wish to do so, can seek the nomination form by ticking the appropriate column in the Application Form, duly completed and submit the same at any of the Designated Investor Service Centres. Unitholders being either parent or lawful guardian on behalf of a minor and eligible institution, societies, bodies corporate, HUF, partnership firms shall have no right to make any nomination. Payment to the nominee of the sums payable against redemption / dividends shall fully discharge the Fund of all liability towards the estate of the unitholder and his/her successors and legal heirs. Non-individuals including societies, trusts, body corporates, partnership firms, Karta of Hindu Undivided Family, Association of Persons (AOP), Body of Individuals (BOI), Holders of Power of Attorney can neither nominate nor be a nominee.

Know Your Client (KYC)

Prevention of Money Laundering and Know Your Customer (KYC)

As per Securities and Exchange Board of India (SEBI) Circular dated 27 April 2007 and letter dated 25 June 2007, Permanent Account Number (PAN) has been made the sole identification number for all participants investing in the securities market, irrespective of the amount of investment. With effect from 1 January 2008, for all applicable transactions, investors will need to submit a photocopy of their PAN card, which shall have been either verified with the original or verified/ attested by AMFI registered distributors, bank managers or judicial authorities. The PAN requirements will be applicable to all joint applicants as well as the Guardian, in case of applications by a Minor.

Accordingly, submission of Form 49A and/ or declaration in Form 60/61 will not be accepted. Hence, all applicable transactions not accompanied by a duly verified/ attested copy of PAN card are liable to be rejected.

KYC is mandatory under the Prevention of Money Laundering Act, 2002 for all applications for subscriptions of Rs. 50,000 and above. This will be applicable for investments from individual investors including joint holding / institutional customers / other non-institutional investors / investments through power of attorney holders / investments of minor through guardian. The KYC requirements can be completed by filling up the prescribed form and submitting the same along with the other requisite details / proof (attested true copies of supporting documents relating to proof of identity and address or verification with the original) to a designated Point of Service (PoS) of CDSL Ventures Limited (CVL). Any subsequent change to Address, Pin Code, Country, Nationality, Occupation, Income details, Date of Birth, Proof of Identity need to be communicated to CVL ONLY. For details of the process and list of PoS, please visit our website <http://www.escortsmutual.com>. In case investor has completed the KYC Compliance process, without submitting a copy of PAN Card, he/she must forthwith provide a copy PAN Card alongwith the copy of KYC compliance acknowledgment to CVL.

In view of this, with effect from February 01,2008 each investor (including joint unit holder) who wishes to invest an amount of Rs.50, 000/- or more need to obtain this KYC confirmation letter from CVL and quote the same in the application form for investing in the schemes of Mutual Fund.

Please note that in this NFO, any investment of Rs. 50,000 and above will require all applicants to be KYC compliant.

Transfer

Being an open ended Scheme, transfer of Units under the Scheme is not allowed, since the facility for purchase and redemption of Units has been provided. However, if a person wishes to become a Unit holder, in an official capacity, by operation of law or is a scheduled commercial bank or a financial institution enforcing a pledge/charge or as a donee, then the Asset Management Company shall, subject to production of such evidence, which in its opinion is sufficient proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units.

#### Transmission

In case of death of the first unitholder, units shall be transmitted in favour of second named joint Holder on production of a Death Certificate or any other document to the satisfaction of the Registrar. In case units are held in a single name by the unitholder, Units shall be transmitted in favour of its executor/administrator of its estate/Legal Heir(s), as the case may be, on production of a Death Certificate or any other document to the satisfaction of the Registrar.

#### Winding Up

1. The duration of the scheme is perpetual. However, as per the Regulations, the Scheme may be wound up, after repaying the amount due to the Unit holders:
  - On the happening of any event, which in the opinion of the Trustee requires the Scheme to be wound up;
  - If seventy five percent of the Unit holders pass a resolution that the Scheme be wound up; or
  - If SEBI so directs in the interest of Unit holders.
2. Where a Scheme is to be wound up, the Trustee shall give notice of the circumstance leading to the winding up of the Scheme:
  - To SEBI; and
  - In two daily newspapers having circulation all over India and also in a vernacular newspaper circulating at New Delhi.
3. On and from the date of the advertisement of the winding up, the Trustee or the Asset management Company, as the case may be, shall:
  - Cease to carry on any business activities relating to the Scheme;
  - Cease to create and cancel Units in the Scheme; and
  - Cease to issue and redeem Units in the Scheme.
4. The following procedure shall be followed for winding up:
  - The Trustee shall call a meeting of the Unit Holders to consider and pass necessary resolutions by simple majority of the Unit holder, present and voting at the meeting for authorizing the Trustee or any other person to take steps for winding up the Scheme.
  - The Trustee or the person authorized as above shall dispose off the assets of the Scheme concerned in the best interest of the Unit holders of that Scheme.
  - The proceeds of sale made in pursuance of the above clause, shall, in the first instance be utilized towards discharge of such liabilities as are properly due. The balance shall be paid to the Unit holders in proportion to their respective interest in the assets of the Scheme as on the date when the decision for 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, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
  - Notwithstanding anything contained in the Regulations, the application of provisions of the Regulations in respect of disclosures of half yearly reports and annual reports shall continue to be applicable until winding up is completed or the Scheme cease to exist.
5. After receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been completed, the Scheme shall cease to exist.
6. Every such distribution to Unit holders shall be made only against delivery to the Trustee of such form of request for payment as the Trustee shall, in its absolute discretion require, within 10 days from the date of valid lodgment of a request in this regard.
7. Any unclaimed proceeds shall be the property of the Mutual Fund and it may be held in such form as may be prescribed by SEBI.

### C. General Information

#### Underwriting

- In order to generate additional income, the Scheme may enter into underwriting/contingent underwriting commitments for new fund public offerings (i.e., primary issues) and/or rights offerings. The Mutual Fund intends to make, but has not yet made an application to SEBI for registration under the SEBI (Underwriters) Rules and Regulations, 1993, as amended.
- The underwriting obligation of the Scheme will be deemed as if investments are made in such securities by the Scheme; and
- The underwriting obligation of the Scheme shall not at any time exceed the total net assets of the Scheme.

#### Policy For Borrowing

The Scheme shall not borrow more than 20% of its net assets, then prevailing to meet temporary liquidity needs for the purpose of repurchase/redemption of Units and payment of dividend to the Unit holders and the duration of such borrowing shall not exceed a period of six months.

#### Investment by the AMC in the Scheme

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

#### Securities Lending

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

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

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

that returns can be enhanced by way of stock lending rather than hold the security only for capital appreciation potential.

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

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

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

#### Inter-Scheme Transfer of Investments:

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

- (a) such transfers are done at the prevailing market price for quoted instruments on spot basis.  
Explanation : "spot basis" shall have same meaning as specified by stock exchange for spot transactions.
- (b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

#### Switch

1. Unit holders shall have the option to switch their holding of Units under the Scheme, on redemption of Units or on winding up of the Scheme, if any to Units of other Scheme(s) or Units of other investment Option of the Scheme that may be existing or may be framed by the Trustee, from time to time.
2. The switch will be effected by way of redemption of Units under the Scheme at the then prevailing repurchase price together with the exit load of and re-investment of the proceeds arising there from in Units under the other Scheme(s) or Units of other investment Option of the Scheme.
3. The price at which the Units will be switched out of the Scheme will be based on the then prevailing NAV applicable for redemption together with the exit load and the proceeds will be invested in other Scheme(s) at the prevailing offer price for Units under the other Scheme(s)
4. In order to be effective, the switch must comply with the rules for redemption of Units under the Scheme and the rules for offer of Units under the other Scheme(s) and the eligibility of the Unit holder to purchase and hold Units under the other Scheme(s)

#### Associate Transactions

Escorts Securities Limited was paid brokerage on account of purchase / sale in securities and transactions in derivatives as follows, till the date of association :

For the year ended 31.03.08 - Escorts Income Bond – Rs. 18,412/-, Escorts Income Plan – 19,079/-; Escorts Tax Plan – Rs. 2,739/-, Escorts Opportunities Fund – Rs. 6,84,686/-, Escorts Balanced Fund - Rs. 12,089/-, Escorts Growth PLAN – Rs. 38,016/-, Escorts High Yield Equity Plan – Rs. 97,176/-, Escorts Infrastructure Fund – 70,412/-.



ESCORTS ASSET MANAGEMENT LTD.

Escorts Securities Limited was paid brokerage on account of sale of Units of various schemes of Escorts Mutual Fund as follows :

For the year ended 31.03.08 - Rs. 5,35,134/-.

**Brokerage Paid to Associates/ Related Parties/ Group Companies of Sponsor/ AMC**

Name of Associate / related parties/group Companies of Sponsor/ AMC	Nature of Association/Nature of relation	Period Covered	Value of transaction ( in Rs. Cr. & % of Total Value of Transaction of the fund)		Brokerage (Rs. Cr & % of total Brokerage paid by the fund)	
Escorts Securities Ltd.	Associate of AMC	31-03-2010	336.17	59.83	81.93	89.64
Escorts Securities Ltd.	Associate of AMC	31-03-2009	470.64	58.74	1.05	84.94
Escorts Securities Ltd.	Associate of AMC	31-03-2008	46.19	4.20	0.09	7.60

**Commission Paid to Associates/ Related Parties/ Group Companies of Sponsor/ AMC**

Name of Associate / related parties/group Companies of Sponsor/ AMC	Nature of Association/Nature of relation	Period Covered	Business given ( Rs. Cr. & %of total Business received by the fund)		Commission paid (Rs. Cr & % of total commission paid by the fund)	
Escorts Securities Ltd.	Associate of AMC	31-03-2010	0.34	0.25	0.02	1.84
Escorts Securities Ltd.	Associate of AMC	31-03-2009	0.68	0.36	0.04	1.04
Escorts Securities Ltd.	Associate of AMC	31-03-2008	2.36	1.44	0.05	2.31

Policy for investment in group companies

The investments in group companies of the sponsor and the AMC by all schemes of Mutual Fund shall at all times be in accordance with SEBI (Mutual Funds) Regulations, as amended from time to time.

The Mutual Fund shall not make any investment in

- any unlisted security of an associate or group Company of the Sponsor; or
- any security issued by way of private placement by an associate or group Company of the Sponsor; or
- the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.

As on date no scheme of Escorts Mutual Fund has invested more than 25% of its net assets in group companies.

The Mutual Fund proposes to have dealings and transactions with M/s Escorts Securities Ltd. whose services may be used for marketing and distribution of the schemes. Commission shall be paid to them at prevailing marketing rates.

Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at 11, Scindia House, Connaught Circus, New Delhi - 110001 during business hours on any day (excluding Saturdays, Sundays and public holidays):

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

Investor Grievances Redressal Mechanism

The Mutual Fund follows up with the Investor Service Centres on all complaints and inquires received from unitholders regarding the New Fund Offer and the issue of Units



ESCORTS ASSET MANAGEMENT LTD.

with a view to resolving them quickly. In the event of an investor requiring Investor Service, in the normal course he/she/it is encouraged to contact:

Ms. Mohini Sharma  
Registrar Services & Investor Service Department  
Escorts Asset Management Limited  
Regd. Office: 11, Scindia House,  
Connaught Circus, New Delhi – 110 001.  
(Tel): (011) 43587415, 43587420  
(Fax): (011) 43587432  
Website : [www.escortsmutual.com](http://www.escortsmutual.com)  
Email – [help@escortsmutual.com](mailto:help@escortsmutual.com)

Investor Service Centres / Official Points of Service of Escorts Mutual Fund

SAKAR 5, 602, 6<sup>th</sup> Floor, Behind Natraj Cinema, Ashram Road, Ahmedabad – 380014 Ph : 9327050566; 9879134342; 9879134342; 079-26582036 : Agra – Ph : 9837891777; 9897072526 : Unit No. 401, 4<sup>th</sup> Floor No. 12, Richmond Tower, Richmond Road, Bangalore – 560025 Ph : 080-41145216 : Arihant Plaza, Shop No. - 6, Ground Floor, B-50, Saheed Nagar, Bhuwaneshwar (Orissa) – 751007 Ph : 0674-2540106 : Bhopal – Ph : 9303460739: Deepak Tower, SCO – 154-155, Sector - 17 C, Second Floor, Chandigarh – 160017 Ph : 0172-5078626 : Gurgaon – Ph : 9999967924 : 2<sup>nd</sup> Floor, Kataria Bhawan, MI Road, Jaipur – 302001 Ph : 0141-2372476 : Exchange Building, Shop No 17B, 18, Mezzanine 1<sup>st</sup> Floor, 1<sup>st</sup> Chopasani Road, Jodhpur-342001 Ph : 0291-2652716 : 132B/28, Anant Raj Plaza Complex, Shop No - 6, MG Marg, Allahabad – 211001 Ph : 0532-2424108 : Bhopal – Ph : 9303460739 : C/o Maroo Business Centre, 570, MG Road, G26-B, City Centre, Indore – 452001 Ph : 0731-2535406: Sector IC QR No. 178, Bokaro Steel City, Jharkhand – 827001 Ph : 9334171028 : Shop-No-23, 1<sup>st</sup> Floor, Rohini Plaza, 11-E, Rajpur Road, Dehardun, Uttaranchal – 248001 Ph : 0135-2650142 : Post Office, Escorts Nagar Building, 1<sup>st</sup> Floor, Near Escorts Plant-1, Main Mathura Road, Faridabad -121005 Ph : 0129-4142810 : Kamani Centre, Shop-No-119, 3<sup>rd</sup> Floor, Bistupur, Jamshedpur-831001 Ph : 0657-2321909 : Office No-311, 3<sup>rd</sup> Floor, KAN Chambers, 14/113, Civil Lines, Kanpur – 208001 Ph : 0512-2367927 : Hall No. – 6, 2<sup>nd</sup> Floor, Sky High Chambers, 11/5 Park Road, Lucknow – 226001 Ph : 0522-3261208: PMR Business Centre, Office No-203, 2<sup>nd</sup> Floor, Laxmi Bhuwan Square, Dharampeth, Nagpur – 440030 Ph : 0712-3298041 : 114-B Ashoka Place, Exhibition Road, Patna – 800001 Ph : 0612-2500340 : B-21/2A, Chinatown Complex, Kamaksha, Nr. Rathyatra Crossing, Varanasi (U.P) – 221010 Ph : 052-2400954 : Crescent Tower 1<sup>st</sup> Floor, 229, AJC Bose Road, Kolkata – 700020 Ph : 033-40036013 : Room No. 1B - 1, Mezzanine Level, 20 Raja Bahadur Mansion, Ambalal Doshi Marg, Hamam Street, Behind BSE, Fort, Mumbai - 400023. Ph : 022-22626595 : Global Trade Centre, Office No – 8, 1/1, Rambaug Colony, LBS Road, Navi Peth, Pune – 411030 Ph : 020-24335460 : Office No. - 215, 2<sup>nd</sup> Floor, Siddhartha Complex, R. C. Dutta Road, Alkapuri, Vadodra, Gujrat – 390007 Ph : 0265-3249118.

Investor Complaints Data for the previous schemes of Escorts Mutual Fund is as follows:

**Escorts Income Bond**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	145	145	145
Complaints redressed	145	145	145
Balance	NIL	NIL	NIL

**Escorts Income Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	27	27	27
Complaints redressed	27	27	27
Balance	NIL	NIL	NIL

**Escorts Tax Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	10	10	10
Complaints redressed	10	10	10
Balance	NIL	NIL	NIL

**Escorts Opportunities Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	35	31	24
Complaints redressed	35	31	24
Balance	NIL	NIL	NIL

**Escorts Gilt Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	4	4	4
Complaints redressed	4	4	4
Balance	NIL	NIL	NIL

**Escorts Growth Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	5	5	5
Complaints redressed	5	5	5
Balance	NIL	NIL	NIL

**Escorts Balanced Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	4	4	3
Complaints redressed	4	4	3
Balance	NIL	NIL	NIL

**Escorts Liquid Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	NIL	NIL	NIL
Complaints redressed	NIL	NIL	NIL
Balance	NIL	NIL	NIL

**Escorts Floating Rate Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	NIL	NIL	NIL
Complaints redressed	NIL	NIL	NIL
Balance	NIL	NIL	NIL

**Escorts High Yield Equity Plan**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	3	3	3
Complaints redressed	3	3	3
Balance	NIL	NIL	NIL

**Escorts Infrastructure Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	2	2	2
Complaints redressed	2	2	2
Balance	NIL	NIL	NIL

**Escorts Leading Sectors Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	NIL	NIL	N.A.
Complaints redressed	NIL	NIL	N.A.
Balance	NIL	NIL	N.A.

**Escorts Power & Energy Fund**

	Upto 31.03.2010	Upto 31.03.2009	Upto 31.03.2008
Complaints received	NIL	NIL	N.A.
Complaints redressed	NIL	NIL	N.A.
Balance	NIL	NIL	N.A.

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

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