

## Policy to Protect the Interests of Investors of Mid-cap and Small-cap Schemes

## History log

Version	Date	Documented by	Short description modification
1.0	27-02-2024	Investment	As per AMFI Letter issued on 27/02/2024

## Approval

Name:	Function:	Date:
1.0	UHPC/BOD/BOT	March 18, 2024

## 1 Background and purpose

Pursuant to SEBI's directive, AMFI, vide its letter dated 27th February 2024, has directed the following to the Trustees of all mutual funds:

"In the context of the froth building up in the small and mid- cap segments of the market and the continuing flows in the small and mid-cap schemes of Mutual Funds, Trustees, in consultation with Unitholder Protection Committees (UHPC) of the AMCs, shall ensure that a policy is put in place to protect the interest of all investors. The policy shall, inter alia, contain the following-

(a) Appropriate and proactive measures to be taken by AMCs and Fund Managers to protect investors, including but not limited to moderating inflows, portfolio rebalancing, etc.

(b) Steps to ensure that investors are protected from the first mover advantage of redeeming investors.

## 2 Portfolio Construction and Diversification

a. Considering the inherent nature of midcap and small cap stocks in terms of higher volatility and lower liquidity/volume as compared to large cap stocks, the fund manager shall ensure the portfolio is liquid enough to manage redemptions in an

orderly manner with low impact cost, considering all relevant factors, including the past trends and concentration profile of the investors

b. Fund house shall ensure that for Small Cap Scheme

Small Cap Stock: At the time of investments per scrip limit will be 3% of the AUM and compulsory rebalancing will be done when the limit value reaches 4% of AUM.

c. Fund house shall ensure that for Mid Cap Scheme

Mid Cap stock: In respect of mid-cap stocks at the time of investments per scrip limit will be 3% and compulsory rebalancing to be done when the scrip value reaches 4% of AUM. In respect of Specified 7 mid-cap stocks (maximum), at the time of investments per scrip limit will be 4% of the AUM. Compulsory rebalancing will be done when the scrip value reaches 5% of AUM.

d. In case of passive deviation, Fund manager shall rebalance the portfolio within 30 working days. Any deviation outstanding for more than 30 working days shall be submitted to the Investment Committee on monthly basis and to the Risk Management Committee on monthly basis, along with the fund managers comments.

## 3 Stress Testing

a. AMC shall perform stress testing of mid cap and small cap funds at least on monthly basis, and present the results to the Investment Committee on Monthly basis and to the

Risk Management Committee on monthly basis. In case the test shows any stress, the portfolio shall be appropriately rebalanced.

## 4 Communication

a. AMC shall ensure that in all its advertisement w.r.t. Mid-cap and Small-cap Schemes, the risks factors are appropriately disclosed, especially while displaying the performance of the scheme monitoring and Management of Inflows/outflows.

b. AMC shall from time-to-time monitor a) the extent of inflows in the scheme and ability of the fund to invest in line with scheme objectives and strategy, b) if the situation so warrants, based on the recommendations of Fund Manager and Risk Management Committee, the restrictions on fresh inflows through lump sum amount or maximum cap on SIPs, switches etc. The AMC shall also if the situation so warrants, introduce or withdraw( partially or completely) at its discretion, any restriction(s) in any form for inflows into the scheme.

c. The following instances shall also be reported to the Investment Committee on Monthly basis: (a) Monthly Inflows of 15% of the fund size or Rs. 1500 Crores, whichever is higher (b) Monthly outflows of 10% of the fund size. c) Investor Concentration of Top 1, 5 & 10 in the Fund d) Distributor concentration of Top 5, 10 & 20 in the fund. e) Liquidity in fund in term of days to liquidation at defined levels of participation. f) Any information other than above which is material would also be reported.

## 5 Policy Review

The policy shall be reviewed by the Investment Committee and Executive Risk Management Committee as and when need arises or at least on an annual basis to ensure that the policy continues to reflect the evolving market scenarios.

The policy shall also be placed before the Unit Holders Protection Committee and Boards of AMC and Trustees for their review and approval on an annual basis.