KLAY SECURITIES PRIVATE LIMITED

DISCLOSURE DOCUMENT PORTFOLIO MANAGEMENT SERVICES

SEBI Registration No.	INP000006280
CIN	U74140MH2016FTC287916

March 2024

DISCLOSURE DOCUMENT OF PORTFOLIO MANAGEMENT SERVICES BEING OFFERED BY KLAY SECURITIES PRIVATE LIMITED

KEY INFORMATION AND DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT SERVICES UNDERTAKEN BY KLAY SECURITIES PRIVATE LIMITED

1. This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with a certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations 2020.

2. The purpose of the Disclosure Document is to provide essential information about the portfolio management services in a manner to assist and enable the Investors in making decisions for engaging a Portfolio Manager.

3. This Disclosure Document is dated 15th March 2024 and contains necessary information about the portfolio manager required by an investor before investing, and the investor is hereby advised to retain the document for future reference.

- Investors should carefully read the entire document before making a decision and should retain it for future reference.
- Investors may also seek further clarifications after the date of this document from the service provider.

4. The name, phone number, e-mail address of the Principal Officer so designated by the Portfolio Manager is:

Name Of the Principal Officer	Mr. Ian D'souza
Phone	+91 22 6910 6000 / +9197696 43444
Email	ian@klaygroup.com
Website	www.klaygroup.com
Date	15th March 2024

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1. DISCLAIMER

This document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations 2020 and has been filed with the SEBI. This document has neither been approved nor disapprovedby SEBI nor has SEBI certified the accuracy or adequacy of the contents of this document.

2. DEFINITIONS

In this Disclosure Document, unless the context or meaning thereof otherwise requires, the following expressions shall have the meaning assigned to them hereunder respectively:

SN	TERMS	MEANING
i.	**"Act"**	means the Securities and Exchange Board of India Act 1992 (15 of 1992).
ii.	**"Agreement"** or **"Portfolio Management Services agreement"** or **"PMS Agreement"**	means the agreement executed between the Portfolio Manager and its clients in terms of Regulation 14 and as per Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations 2020 and amendments to the Act from time to time.
iii.	**"Applicable Law"**	means any applicable Indian statute, law, ordinance, regulation, rule, order, byelaw, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument which has a force of law in India, as is in force from time to time. For the avoidance of doubt, the term 'Applicable Law' shall include the Regulations.
iv.	**"Board"**	means the Securities and Exchange Board of India.
v.	**"Bank".**	means any scheduled commercial bank, with which the Portfolio Manager will open and operate the bank accounts for the purpose of portfolio management services.
vi.	**"Client"** or **"Investor"**	means any person who registers with the Portfolio Manager and enters into an agreement with the Portfolio Manager for availing the services of portfolio management.
vii.	**"Custodian"**	means any entity appointed as custodian by the Portfolio Manager from time to time and on case-to-case basis to provide custodial services and to act as a custodian on the terms and conditions agreed between the custodian and the Portfolio Manager.
viii.	**"Depository"**	means a body corporate as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Limited ("NSDL") and Central Depository Services (India) Ltd. ("CDSL").
ix.	**"Disclosure Document"**	means this disclosure document issued by Klay Securities Private Limited for offering portfolio management services prepared in terms of Regulation 22 and Schedule V of the SEBI (Portfolio Managers) Regulations 2020.
x.	**"Financial Year"**	means the year starting from 1st April and ending on 31st March of the following year.
xi.	**"Funds"**	means the monies placed by the Client with the Portfolio Manager and any accretions thereto including the proceeds of the sale or sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the Portfolio Manager.

xii.	**“Initial Corpus”**	means the value of the Funds and the value of readily realizableSecurities brought in by the Client at the time of registering as a Client with the Portfolio Manager and accepted by the Portfolio Manager.
xiii.	**“Portfolio”**	means the total holdings of Securities managed by the Portfolio Manageron behalf of the Client by the Portfolio Manager, on the terms and conditions contained in the agreement and includes any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to the Agreement, Securities acquired by the Portfolio Manager through Investment of Funds and bonus and rights shares in respect of Securities forming part of the Portfolio, so long as the same is being managed by the Portfolio Manager.
xiv.	**“Portfolio Manager”**	means Klay Securities Private Limited, incorporated under the Companies Act, 2013 and having its registered office at 1402, ONE BKC, B-Wing, G - Block, Bandra Kurla Complex, Mumbai - 400051
xv.	**“Principal Officer”**	means a person who has been designated as Principal Officer by the Portfolio Manager as required under the SEBI (Portfolio Managers) Regulations 2020, and who will be responsible for the activities of Portfolio Manager.
xvi.	**“Regulations”**	means the Securities and Exchange Board of India (Portfolio Managers) Regulations 2020, including rules, guidelines or circulars issued inrelation thereto from time to time.
xvii.	**“SEBI”**	means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act 1992.
xviii.	**“Securities”**	means and includes Securities as defined under Securities Contracts (Regulation) Act 1956.
Words and expressions used in this Disclosure Document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing portfolio management services.		

3. DESCRIPTION

a. History, Present Business and Background of the Portfolio Manager:

Klay Securities Private Limited (“**Company**”) has been incorporated as a company on November 24, 2016, *vide* certificate of incorporation issued by the Registrar of Companies, Mumbai, Maharashtra.

The Company is a part of the Klay Group, which is an international financial services and wealth management group set up in 2013 having presence in multiple jurisdictions including Dubai, Singapore, and India. The Company has applied for registration with SEBI as a Stock Broker.

The Company is also an Investment Manager to category III Alternate Investment Fund registeredwith SEBI (Registration No. IN/AIF3/19-20/0753), a Stock Broker registered with SEBI (Registration No. INZ000177934) a Depository Participant registered with SEBI (Registration No. INDP 3882018), and a Mutual Fund Distributor registered with the Association of Mutual Funds in India (Registration No. ARN - 117710). Klay Securities Private Limited has a team with extensive experience, in depth domain understanding and strong orientation.

b. Promoters of the Portfolio Manager, Directors, and their Background:

PROMOTERS

SN	NAME	AGE	QUALIFICATION	EXPERIENCE
1.	Amit Asnani	40 years	Master of Business Administration	20 years in banking and finance
2.	Anirudh Sisodia	50 years	Master in management studies	25 years in portfolio investment advisory
3.	Kalpesh Khakhria	42 years	Master of Business Administration	20 years in banking and finance
4.	Klay Holdings (DIFC) Limited	A company registered in the Dubai International Financial Centre, having registered office address as Gate Village, Building 6, Level 3, Office 306, Dubai International Financial Centre, Dubai, PO Box 9637, United Arab Emirates.		

DIRECTORS

NAME	EXPERIENCE
Anirudh Sisodia	a. Klay Capital Limited - Dubai, UAE, Chief Executive Officer (March 2013 till date) b. Reliance Capital Asset Management (UK) Plc (RCAM) - Dubai, UAE Head Investment Advisory (September 2009 to December 2012) c. HSBC Bank Middle East - Dubai, UAE Investment Manager, HSBC NRI Services (Middle East) (September 2008 to August 2009) d. HSBC Bank Middle East - Dubai, UAE Area Sales Manager, HSBC NRI Services, UAE (March 2007- August 2008) e. ABN AMRO Bank - New Delhi, India Head NRI Services (North) (January 2006 – February 2007) f. Citibank - Jaipur, India Branch Manager (January 2004 – October 2004) g. Citibank - Jaipur, India Citi gold Relationship Manager (January 2001 – December 2003) h. HDFC Ltd.- Jaipur, India Officer in Charge, Operations (June 1996 – May 1999)
Ian Luis Xavier Dsouza	a. Klay Securities Private Limited (April 2017 till date) b. Deutsche Bank Vice President, Institutional Equity Sales (April 2008 – January 2017)
Kalpesh Khakhria	a. Klay Capital Limited - Dubai, UAE, Managing Director (March 2013 till date) b. Reliance Capital Asset Management (UK) Plc, Dubai, UAE- Vice President (November2010 to November 2012) c. HSBC Bank Middle East, Dubai, UAE- Senior NRI Financial Planning Manager at(January 2007 to November 2010) d. Citibank India, Pune, India- Officer (July 2004 to November 2006)
Niren Mulchand Vora	a. India Infoline Limited. IIFL Group Associate Manager (November 2007 to June 2011). b. b. Reliance Securities, Chief Manager - Compliance Department (July 2011 to Jan 2020) c. Klay Securities Private Limited, Compliance officer- (Jan 2020 till date).

KEY MANAGERIAL PERSONNEL

NAME	DESIGNATION	AGE	QUALIFICATION	EXPERIENCE
Ian Luis Xavier Dsouza	Principal Officer	40 years	Postgraduate Diploma in Business Management	14 years in securities market
Kalpesh Khakhria	Managing Director	42 years	Master of Business Administration	19 years in banking and finance
Anirudh Sisodia	Director	50 years	Master in Management Studies	24 years, portfolio, and investment advisory
Akshat Kumar	Fund Manager	39 years	Postgraduate Diploma in Business Management, CFA, FRM	13 years financial Market, economic sector company analysis
Niren Mulchand Vora	Compliance Officer	41 years	Chartered Accountant and LLB (Hons)	14 years of experience in legal and compliance

c. Top 10 Group Companies/ Firms of the Portfolio Manager on Turnover Basis:

The details of group companies of the Portfolio Manager on turnover basis for the period ended 31.03.2023.

SN	Name of the Entities	Status
1.	Klay Holdings (DIFC) Limited	Holding Company
2.	Klay Finvest Private Limited	Fellow Subsidiary
3.	Klay Investment Advisers Private Limited	Fellow Subsidiary

d. Details of the Services Being Offered:

Klay Securities Private Limited offers discretionary, non-discretionary and advisory services. The broad details of the services are given as below:

i. Discretionary Portfolio Management Services:

In the case of discretionary portfolio management services, the Portfolio Manager shall independently manage the Funds and Securities of the Client in accordance with the provisionsof the Portfolio Management Services Agreement. The Portfolio Manager shall have the sole and absolute discretion to invest on behalf of the Client in any type of Security as per the executed agreement and make such changes in the investments and invest some or all of the Funds in suchmanner and in such markets as it deems fit. The Portfolio Manager's decision in deployment of the Clients' account is absolute and final and cannot be called to question or review at any time during the currency of the agreement or at any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence by adjudicated by the highest court of competent jurisdiction. Investment under the portfolio management services will be only as per the applicable SEBI regulations. The un-invested parts of the Client's Funds may at the discretion of the Portfolio Manager be held in cash or deployed in liquid fund schemes, exchangetraded liquid or index funds, debt-oriented schemes of mutual funds, gilt schemes, bank deposits, or other short-term avenues for investment. The Client's portfolios under the discretionary services are based on Client's investment objectives and for an agreed fee structure and for a definite described period and should not be construed as any scheme promoted by the company.

ii. Non-Discretionary Portfolio Management Services:

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed in consultation with the Client. Under this service, the Assets will be managed as per express prior instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investment. The underlying instruments used could be stocks, bonds, debentures, structured products, and derivatives to meet the investment objectives or mandate defined by the client. The Portfolio Manager may design and develop various series keeping in mind market conditions and may be customized for Client's specific need / profile. The Portfolioin all cases will be guided strictly by the relevant guidelines, Acts, Rules, Regulations, and notifications prevailing in force from time to time. The instruments may be principal protected or non-principal protected, which may have fixed or variable payoffs. The investment objective of the Portfolio Manager shall be preservation and growth of capital and at the same time endeavour to reduce the risk of capital loss. However, while the aforesaid is the objective, it needs to be reiterated that there can be no assurance and/or guarantee of such growth or even as regards preservation of capital or of there being no capital loss. The amount invested by the Clients under this strategy shall be subject to and in accordance with the agreement between the Client and the Portfolio Manager.

iii. Advisory Services:

The advisory services of the Portfolio Manager in terms of the Regulations include the responsibility of advising on the portfolio strategy and investment and divestment of individual Securities on the Clients' Portfolio, for an agreed fee and for a period as agreed, entirely at the Client's risk; to all eligible category of Investors who can invest in Indian market including Non- Resident Indians, Foreign Institutional Investors, etc.

The Portfolio Manager shall be solely acting as an advisor to the Portfolio of the Client, providingnon-binding advice, and shall not be responsible for the investment/ divestment of Securities and/ or an administrative activity on the Client's Portfolio in any manner whatsoever. The Portfolio Manager shall, provide advisory services in accordance with such guidelines and/ or directives issued by the regulatory authorities and /or the Client, from time to time, in this regard. The Portfolio Manager shall not in any event and at any point of time be responsible in any manner whatsoever for any investment decision taken by the Client on the basis of the investment advice provided by the Portfolio Manager.

The Portfolio Manager may act upon any in-house research, commercially available databasesand news services, external meetings and visits, third-party and broker research reports, publicly available information etc. Neither the Portfolio Manager nor any of its affiliates (norany of their respective control persons, directors, officers, employees, or agents) shall be liable to the Client or to any other person claiming through the Client for any claim, loss, damage, liability, cost, or expense suffered by the Client or any other person arising out of or related to the advisory services provided therein.

This Disclosure Document is without prejudice to any other terms agreed to between the Company and its Clients in relation to any other specific services other than the broking services. If any provision in this document conflicts with a provision in such specific service terms, the provisions of the agreement executed for such specific services shall prevail insofaras it does not conflict with any duty or obligation of the Company under any Applicable Law.

The Company does not promote the services offered by Klay Securities Private Limited ("KSPL") to any of its Clients. In case any Client chooses to avail of the services of KSPL for executing any stock broking transaction, the Client shall do the same at his own volition and free will. In sucha case, such transactions will be at an arms' length and independent of the portfolio management services or broking services provided by the Company.

The advisory services of the Portfolio Manager are based on rigorous fundamental research carried out for all the products that it advises on. While due care is taken to ensure that all material facts are correctly gathered and all assessments there on are made with the truest of intentions and to the best of abilities of the Portfolio Manager, it is important for the Client to note that markets are prone to volatility. It is important to note that past performance of a security is not a guarantee of its future performance.

The aforesaid services shall be offered to implement the following investment strategies:

Based on the assessed risk profile, the Client can choose to invest in one of the existing investment strategies listed in the Disclosure Document or request Klay Securities PrivateLimited to design a customised investment Portfolio with a specific risk profile and investment objectives Strategies in relation to services offered by the Portfolio Manager:

A. Non-Discretionary Portfolio Management Services

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed as per instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investments. The underlying instruments used may include (but may not be limited to) stocks, bonds, debentures, structured products, and derivatives to meet the investment objectives as defined by the client. While Portfolio Manager may design and suggest portfolios/investment strategies which are customized for each Client's specific needs / profile, the ultimate decision shall be the Client's. The Portfolio in all cases will be guided strictly by the relevant guidelines, Acts, Rules, Regulations, and notifications prevailingin force from time to time. The instruments may be principal protected or non-principalprotected, which may have fixed or variable payoffs. The investment objective shall be as defined by the Client. However, there can be no assurance and/or guarantee that the investment objective will be met. There is no assurance/guarantee as regards preservation of capital or of there being no capital loss.

B. Discretionary Portfolio Management Services

Under the Discretionary Portfolio Management Services there are following investmentstrategies:

PHARMA AND HEALTHCARE GROWTH OPPORTUNITIES FUND	
Investment Objective/Strategy	The Investment Objective of this "Investment Strategy" is to create significant value over long term by investing in a concentrated portfolio of Indian Pharma and Healthcare Sector by investing in securities which are significantly below fair value and with strong long-term prospects. As the equity returns are non-linear, the objective is to stay invested till the return objectives are fully realized and avoid staying invested in an idea longer than required. The Portfolio Manager will opportunistically re-allocate money across stock ideas dynamically.
Benchmark	S&P BSE 500 TR
Benchmark basis	Since the portfolio is primarily investing in Indian Pharma and Healthcare stocks the S&P BSE 500 TR Index has been chosen as an appropriate benchmark to compare performance.
Suitability	Suitable for clients across risk profiles who are looking for equity exposure
Time Horizon	The recommended minimum investment horizon for the fund is three years for the portfolio to deliver on its intended strategy.
Portfolio Composition/Types of securities	The portfolio shall be primarily invested in India listed equity. Cash may bedeployed in instruments such as Liquid funds or Overnight funds of Indian mutual funds or in listed debt securities to optimize on risk reward.
Basis of selection of securities	▪ **Bottom-up over Top-down:** We combine top-down and bottom-up approachesin our investment process. At a top-down level we consider the macroeconomic themes and look to identify potential macroeconomic risks or industry-specific issues which could adversely affect returns. The top-down approach is used for determining the overall assumptions on industry specific matters. However, we believe the company specific fundamentals are the keyto alpha generation over long investment horizon thus focus on bottom-up fundamental research. ▪ **Growth over Value**: Our approach is in-between the traditional growth and value styles – where we look for undervalued companies that operate differentiated business models with the potential in stable and steady growth in earnings in varying market conditions. However, we have a bias towards growth, with a belief that earnings and free cash flow growth is the key long- term driver of stock performance. We believe in growth companies withproven business model with growth potential that is under-estimated by the market. ▪ **BMV Approach:** We follow BMV (Business, Management & Valuation) approach in our fundamental research, where Business takes precedence over Management and Management takes precedence over Valuation. Irrespective of valuation, we will stay away from businesses where we have structurally negative view / lack of proper

understanding of business or discomfort with the management and/or corporate governance practices.

- **Clear Price Targets:** We seek to invest in companies that in our view have sustainability of business growth and are trading at a substantial discount to their fair value. Post our fundamental research process we will have a clear Price Targets to Buy / Sell. Our Target Entry Price will be arrived at by assuming that the return exceeds the cost of equity by a decent margin over the holding period of investment. We will also maintain the discipline of exiting an investment if the price overshoots Target Exit Price by a large margin, even it happens very early in the Investment horizon. Though we will have Buy-and-Hold strategy, we will not refrain from booking super-normal returns if they are driven by unrealistic expectations from the company.
- **Minimal Diversification**: We will not over-diversify the portfolio in order to track the benchmark returns. Over diversifications not just compromises potential returns it also takes away lot of management time. We will target a portfolio of around 15 stocks with a range of 10 – 20 stocks. We will endeavour to ensure that no single investment will have portfolio weight of more than 20%. Similarly, no single investment will generally have portfolio weight of less than 2%.

While evaluating potential equity investments, we focus strongly on the following fundamental characteristics:

a. **Business Moat:** Research, technology, manufacturing and distribution combined with research and development is resulting in rapid disruptions in many existing businesses in the pharma and healthcare sector. We lay strong emphasis on the business moat of any business i.e. ability of a business to maintain its competitive advantage in order to protect/grow its markets share and earnings over long periods of time. The moat should result in significant value creation as measured by the difference between ROIC (Return on invested capital) and WACC (Weighted average cost of capital) as well as strong free cash flow generation.

b. **Management Quality:** We will be biased towards businesses where promoter holding is more than 33%. Promoter integrity, leadership team & corporate culture are important factors in creating a sustainably strong business. A unique leadership and corporate environment may contribute significantly to a corporation's prolonged economic success. Corporate governance becomes even more important in India as many companies have large promoter shareholdings with less reliance on professional management. Owing to the same, the independence of board to ensure oversight may be less reliable.

c. **Earnings Growth:** Our stock selection hinges primarily on the ability of businesses to generate consistent and superior earnings growth. We rely more on research and manufacturing strength of the existing franchise in the industry, strong product pipeline, increasing thrust on export business and increasing presence in new and under-penetrated area of healthcare. The business growth enablers could be market share gains, backward integration and increasing footprint across Indian and global pharma markets. Besides earnings growth, even quality of earnings has to be emphasized which gets impacted by various factors like currency, inventory accounting, conservatismin bad debt recognition, depreciation rate, tax rate, capitalization of expenseetc.

d. **Cash Flows:** Free Cash to the Firm is an important factor to generate value for businesses. However, some businesses may not be able to generate significant free cash flow if they are in the enhancing their operating capacities significantly, in which case operating cash flows become important.Pressure on operating cash flows is one of the early signs of increasingpressures in the business. Businesses that demonstrate growth in earnings without commensurate cash flow generation are avoided.

e. **Financial Discipline:** We believe that as the economic/industry/product cycles are getting shorter with increased competitiveness, the companies with low leverage and improved growth prospects are much better placed in most businesses. The preferred businesses for investment are those that have lower debt compared to its immediate competitors as well as the industry average, and also those that have improved growth outlook.

f. **Improving capital efficiency:** The focus will be to identify companies where there is evidence of trigger points which will lead to expansion of capital return ratios like RoCE and RoE. These are the periods when the equity value of a business shows multiplier effect and generate super normal returns, as was witnessed during the period 2003-2008 in Indian equities market.

g. **Business Valuation:** In arriving at the value of a security, we look at a variety of

	factors. Key focus is on cash flow, economic value added and analyzetrends in capital efficiency. We also examine valuation multiples like EV/EBITDA multiple, P/E multiple, Price to book and PEG ratio on an absolute as well as relative basis for determining the fair (intrinsic) value of the business. We believe in keeping significant margin of safety while evaluating an investment. The price value gap should be higher than the expected returnto justify Entry Target Price. More often than not, good businesses going through a bad patch will provide enough price value gap. h. **Monitoring:** We continuously monitor investments to validate our investment hypothesis. When the Exit Target Price, which is equal to or higher than the intrinsic value, is reached or when there has been fundamental deterioration in business models or market conditions in contrast to what was earlier envisaged, we will exit the investment.
Risks associated	Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.
Portfolio Allocation	Allocation will be primarily towards Indian stocks. In the period that attractive opportunities are not available, or the risk reward is seen as unfavourable by the Portfolio Manager the portfolio could be in cash or cash equivalent securities explained above.
Asset Allocation	see table below

Proportion of Portfolio as % of Net Assets	Minimum Allocation	Maximum Allocation	Risk Profile
Equity	65%	100%	High
Cash and/or Liquid funds	0%	35%*	Low
*Implies preferably used when opportunities for equity investments are not attractive			

THEMATIC / DIVERSIFIED STRATEGY	
Investment Objective/Strategy	The Investment Objective of this "Investment Strategy" is to create significant value over long term by investing in a concentrated portfolio of Indian Pharma and Healthcare Sector by investing in securities which are significantly below fair value and with strong long-term prospects. As the equity returns are non-linear, the objective is to stay invested till the return objectives are fully realized and avoid staying invested in an idea longer than required. The Portfolio Manager will opportunistically re-allocate money across stock ideas dynamically.
Benchmark	S&P BSE 500 TR
Benchmark basis	Index captures a large universe of investible assets keeping with the intended investment objective of the strategy.
Suitability	Suitable for clients across risk profiles who are looking for equity exposure
Time Horizon	Min 3 years
Types of securities	Equities, Fixed Income
Basis of selection of securities	Macroeconomic, industry & financial analysis and other quantitative parameters. Diversification: The Portfolio Manager shall not over-diversify the portfolio in order to track the benchmark returns. Over diversifications not just compromises potential returns it also takes away a lot of management time. The Portfolio Manager shall target a portfolio of around 20 stocks with a range of 15 – 25 stocks. The Portfolio Manager shall endeavour to ensure that no single investment will have a portfolio weight of more than 20%. Similarly, no single investment will generally have a portfolio weight of less than 1%.
Risk Factors	Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.
Asset	see table below

Proportion of Portfolio as % of Net Assets	Minimum Allocation	Maximum Allocation	Risk Profile
Fixed Income[1]	**0%**	**100%**	**Low to Medium**

Allocation	Equities[2]	0%	100%	**Medium to High**
	[1] Fixed Income - includes Cash & Equivalents, Bonds, Notes, Debentures, Units of Funds including mutual funds with fixed income underlying.			
	[2] Equity - Includes shares, units of funds including mutual funds with equity underlying. Investment in derivatives may be used for the purpose of hedging.			

INCOME PORTFOLIO	
Introduction	Income Portfolio is an investment approach focused on investing only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency. Such securities may comprise of debt, preferencecapital, tax free bonds, pass through certificates and money market instruments across maturities, credit quality and yields. The investment approach would strive to prioritize income in its portfolio.
Investment Objective	The investment objective of the Income Portfolio investment approach is to prioritize income through interest, preference dividend, and capital gains by investing **both** in the primaryand secondary markets only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency. However, there can be no assurance that the investment objective of the investment approach would be achieved.
Type of securities	The portfolio will primarily consist of debt securities of various maturities in the form of non-convertible debentures (secured or unsecured), step up/ step down bonds, perpetual bonds, additional tier 1 bonds (AT1 bonds), contingent convertible bonds (CoCo bonds), tier 2 bonds, subordinate bonds, municipal bonds, covered bonds, tax free bonds, zero coupon bonds, RBI bonds, market linked debentures, preference capital (perpetual, optionally convertible or compulsorily redeemable), securitized debt, asset backed securities (ABS), mortgage backed securities (MBS), pay through certificates/ pass through certificates (PTC) comprising of any tranche of any seniority including the equity tranche of any maturity (fixed, floating, variable coupon, and equity index /stocks /stocks basket linked, real estate backed), government securities (issued or guaranteed by central or state government), state development loans (SDL), permitted securities under repo/ reverse repo agreement, T-Bills, money market instruments such as commercial paper (CP), certificate of deposit (CD), commercial bills, usance bills, and liquid, money market, low duration schemes or any other scheme of debt mutual funds across maturities and yields, exchange traded funds (fixed income, , real estate, specialty), units issued by SEBI registered alternative investment funds (AIF), units issued by SEBI registered REIT/ InvIT, security receipts issued by asset reconstruction companies, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements and the like as may be permitted by the SEBI Portfolio Manager Regulations 2020 and other regulations/amendments from time to time. These securities may be acquired through primary market issuances such as subscription to initial public offers, follow on public offers, rights issues and private placements of securities, secondary market purchases, auctions held by the Reserve Bank of India, open market sales of securities conducted by Reserve Bank of India and the like. The Portfolio may also invest in derivative instruments (futures and options) – for the limited purpose of hedging and rebalancing of the portfolio. Derivative instruments shall, however, not be used in the

	case of Non-Resident Indian (NRI) investors. The portfolio manager may also buy securities which have equity like nomenclature while the features in terms of returns and convertibility may be like debt. These instruments would include but not be limited to securities like convertible preference shares, non-convertible compulsorily redeemable preference shares, perpetual preference shares, convertible debentures, and some optionally convertible debentures. The portfolio manager may also decide to hold cash in the client's portfolio.
Basis of Selection ofsecurities	The investment philosophy of Income Portfolio investment approach is to invest in instruments issued by growing companies which are preferably backed by institutional investors and have low key man risk along with the issuer's capability to repay the debt on the basis of cash flow generation projected over the term of the underlying instrument. In cases of non-banking finance companies (NBFC) and other financial institutions, the asset liability management, capital adequacy ratio, asset quality and other relevant operational and financial metrics would also be ascertained along with operational cash flows for debt repayment. The Income Portfolio will be actively managed. The base case strategy is to buy and hold the moderate yield debt instruments. However, sale before maturity will also be explored subject to opportunities and market conditions. The Income Portfolio investment approach may undertake to an extent as deemed fit by the portfolio manager, opportunistic buying and selling of debt securities or any other instrumentin the portfolio to improve the returns earned by investors. However, in this endeavour, the portfolio manager may on some occasions not receive suitable exit for the securities thus bought/ held in the portfolio. In such cases, the portfolio manager may either decide to hold such a security to maturity or to exit it at a loss when compared with the purchase price. For investors entering the strategy partially or wholly through their current holdings of debt instruments, the portfolio manager will seek to diversify these holdings to reduce concentration of credit risk. As a possible implication, the yield in internal rate of return [IIR] and the corresponding time weighted rate of return (TWRR) terms and income paid out through regular coupons

ofthe portfolio thus achieved may be different (and lower) from that of their current holdings.

The portfolio manager will endeavour to follow stringent due diligence process while selecting the securities in which to invest in. The diligence process will typically consist of management analysis, financial analysis, product analysis, industry analysis,buyer/supplier analysis, cash flow analysis and company/product life cycle analysis.
The portfolio manager may use services of reputed external/third party agencies for valuation, financial and legal diligence and rely upon their reports and analysis to helpin arriving at the investment decision.

The securities invested into by the Income Portfolio investment approach will have credit quality of a wide range and hence a varying amount of credit risk. The rating ofthe securities may be BBB- or above as rated by any SEBI registered credit rating agency.
The securities which the portfolio manager may invest in for the client in the investment approach for Income Portfolio may or may not have any form of collateral backing them. Securities backed by collateral may have 'Collateral backing' in the form of hypothecation of receivables, charge on all or some current assets, charge on non-current assets, fixed charge on assets which can be first, pari-passu or second , floating charge on current assets which can be first, pari-passu or second, mortgage ofreal estate assets, pledge of shares of the issuing company, pledge of shares of other companies related to the issuing company, pledge of other listed or unlisted shares, escrow of cashflows, hypothecation of brand and patents, mortgage of fixed assets of the company etc. However, depending on the specific collateral used and as per the interpretation of the Companies Act, 2013 the debentures may be deemed to be secured or unsecured in nature.

Investments in preference capital issues may not be backed by any collateral and would be subject to the Company Law regulations or any other statutes that may govern their issuance from time to time. Investments in some of the tranches of a pass-through certificate or pay through certificate may not be backed by any collateral.

Diversification: The portfolio manager shall endeavor to diversify the client portfolio across multiple issuers over a period of 90 days from the date of activation. The diversification may include exposure to multiple issuers and various types of instruments with differing tenors and seniority.

Allocation of portfolio across typesof securities

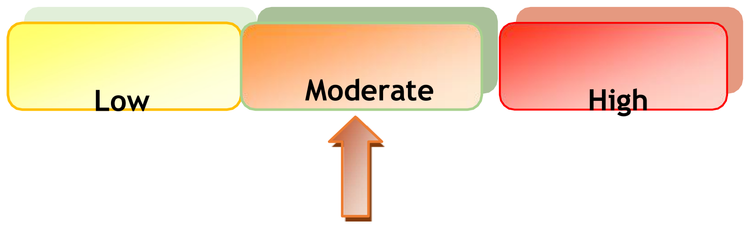
The Income Portfolio investment approach will be invested only in securities rated investment grade and above (BBB- & above at the time of investment) by any SEBI registered credit rating agency. Such securities which may predominantly comprise of debt securities and pass-through certificates may also feature preference capital, commercial paper, tax free bonds and other kinds of instruments described under the section “Types of Securities”. The securities may also be of varied maturities and credit quality. The Income portfolio will be actively managed. The portfolio manager may also decide to hold cash/liquid funds/ money market funds/ low duration funds or any other debt mutual fund or money market instruments. Portfolio manager retains the flexibility to allocate the eligible securities in the investment approach across the portfolios on a dynamic basis. There are no pre-defined limits or proportion of investments towards any particular type of security.

Proportion of Portfolio as % of Net Assets	Minimum Allocation	Maximum Allocation	Risk Profile
Fixed Income[1]	0%	100%	Low to Medium

[1] *Fixed Income - includes Cash & Equivalents, Bonds, Notes, Debentures, Units of Funds including mutual funds with fixed income underlying.*

Investment horizon and risk return profile

Income Portfolio is recommended for investors seeking to hold a debt portfolio with a relatively low to moderate risk-return characteristics over a long-term horizon. Investment in Income Portfolio is recommended for a period of more than 3 years. Below is a pictorial representation of the Income Portfolio strategy risk.



Benchmark and basis for choice of benchmark

CRISIL Customized Klay Securities Index is used for benchmarking the performance of the Income Portfolio investment approach. CRISIL plays the role of a calculation agent for this index. The index seeks to track the performance of a portfolio comprising of issuers rated between AAA to BBB-. It’s developed to be an ongoing, Total Return Index which seeks to capture coupon and price returns of the underlying portfolio. The Index portfolio is marked-to-market on a daily basis using CRISIL debt valuations. Since the Income Portfolio seeks to invest only in securities rated investment grade and above, the choice of CRISIL Customized Klay Securities Index as the benchmark is appropriate as it represents a wide cross section of the universe of securities rated investment grade and above with varying credit ratings.

Risks associated with the investment approach

The investment objective of the Income Portfolio investment approach is to prioritize income through coupon/interest, preference dividend and capital gains received by investing both in the primary and secondary markets only in securities rated investment grade and above (BBB- and above at the time of investment) by any SEBI registered credit rating agency.

However, there is no assurance that the objective of the investment approach will be realized. Investments in securities are subject to market risks. The investments in the Income Portfolio investment approach could carry their own set of risks.
The RISK FACTORS are detailed out in clause 6.

Other Salient features	With respect to the securities being bought by Klay Securities Private Limited asdiscretionary portfolio manager for its clients in the Income Portfolio investment approach, clients may kindly note the following: 1. The Portfolio Manager may, when offering discretionary portfolio management services, at its discretion, purchase securities from client(s) of one discretionary portfolio management investment approach for client(s) of another discretionary portfolio management investment approach or from a third party. Additionally, The securities which the portfolio manager may invest in for the client may or may not have some form of collateral backing them. Collateral backing the investments may include any one or some among hypothecation of receivables, charge on all or some current assets, charge on non-current assets, fixed charge on assets which can be first, pari-passu or second , floating charge on current assets which can be first, pari-passu or second, mortgage of real estate assets, pledge of shares of the issuing company, pledge of shares of other companies related to the issuing company, pledge of other listed or unlisted shares, escrow of cashflows, hypothecation of brand and patents, mortgage of fixed assets of the company etc. However, depending on the specific collateral used and as per the interpretation of the Companies Act, 2013 the securities may be deemed to be secured or unsecured in nature. ▪ Investments in preference capital issues may not be backed by any collateral and would be subject to the company law regulations or any other statutes that may govern their issuance from time to time. ▪ Investing in an equity/ subordinate tranche of a pass-through certificate or a pay through certificate may not be backed by any collateral. ▪ Investment in unsecured, subordinate, or perpetual bonds, AT1 bonds, tier 2 bonds is not backed by collateral. ▪ The securities invested into by the Income Portfolio investment approach will have credit quality of a wide range and hence a varying amount of credit risk. Such securities may be rated or unrated. The issuing company may be rated or unrated and if rated, the latest available credit rating would be considered. The rating of the securities or the issuing company may be investment grade or above(BBB- or above) at the time of investment. ▪ The portfolio manager will endeavour to follow stringent due diligence process while selecting the securities in which to invest in. The diligence process typically consists of management analysis, financial analysis, product analysis, industry analysis, buyer/supplier analysis, cash flow analysis and company/product life cycle analysis. The portfolio manager may use the services of reputed external/third party agencies for valuation, financial and legal diligence to help in arriving at the investment decision. 2. The issuer of securities may seek assistance of any NBFC including Klay Finvest Private Limited (NBFC) or an investment banker to structure the debentureissuance for the purpose of raising capital through the private placement route. Such an NBFC / any Klay Group entity may actively associate with the issuer for structuring of the security in relation to the securities, preparation of the term sheets and related documents for sharing product details with prospective clientsand for appointment of key agents such as trustee, escrow agent, legal counsel, and the like. 3. Such NBFC/ investment banker may also be the “Debenture Holder Representative” and “Calculating Agent” thereby having the power to approve amongst other things - dilution of promoter stake in the issuer company, disbursal of amounts from escrow account to the issuer, any change in the security cover for the debentures and without whose consent the above cannot occur. As a calculating agent, Klay Securities Private Limited calculates the amount of

	interest and final redemption amount due to the debenture holders. 4. For this, Klay Finvest Private Limited as an NBFC / any Klay Group entity may receive a payment from the issuer which could be structured as an advisory fee, discount on such debentures/ securities to Klay Finvest Private Limited [NBFC] orthe Klay group entity at the time of first purchase or a combination of the two. 5. Klay Securities Private Limited - Portfolio Manager may purchase debentures/ securities for clients of the Income Portfolio investment approach through the below routes as well: a. Subscription to the primary issuance of debentures/ securities by Klay Securities Private Limited - Portfolio Manager. b. Purchase of debentures/ securities by Klay Securities Private Limited - Portfolio Manager via offer for secondary sale of debentures/ securities by third party debenture/ security holder(s). 6. The engagement of any group entity or related party by the Portfolio Manager will always be at arm's length.
Performance of the Investment Approach	Performance of the Income Portfolio is shown vis a vis the benchmark in the risk disclosure document filed by the portfolio manager with SEBI every six months or uponoccurring of any material change. The past performance track record of Income Portfolio especially with respect to the pay-outs earned by the clients in the portfolio over different periods of time may be shared with prospective clients with an adequate disclosure that past performance may not be indicative of future performance. The portfolio manager shall use measurement tools like modified duration to measure price sensitivity of the investments and Macaulay's duration to determine the time required to recover the present value of all cash flows from the portfolio. The increase in portfolio value between consecutive time periods indicates a combination of some or all of the factors such as: a. Income (interest/dividend) accrual, b. Amortization of discount, c. Accrual of redemption premium, d. Capital appreciation due to an unrealized mark to market valuation, e. Realized capital gain. The decline in portfolio value may occur due to a combination of some or all of the factors such as: a. Pay-out to the investor from the portfolio manager which may be accrued income, realized income, unrealized capital gains, realized capital gains, or the capital invested by the investor. b. Pay-out to the investor from the issuer which may be accrued income(interest/dividend), c. Combination of pay out of income and the capital invested by the client due to dirty pricing, d. Amortization of premium, e. Reduction in the investment value of the portfolio due to unrealized mark tomarket valuation or realized capital loss as well, Deduction of management and/or performance fees and other expenses.

This process may continue till the investor exits the strategy. Clients can also view the performance details in the risk disclosure document uploaded on [http://www.klaygroup.com/.](http://www.klaygroup.com/)

Generics of Diversification and Limits for Investments in Related Parties:

Portfolio diversification is a strategy of risk management used in investing, which allows to reduce risks by allocating the funds in multiple asset types. It helps to mitigate the associated risks on the overall investment portfolio.

The Portfolio Manager shall invest in equity and equity related securities. However, from time to time on opportunistically basis, may also choose to invest in money market instruments, units of mutual funds, ETFs or other permissible securities/products in accordance with the Applicable Laws.

For investments in securities of Associates/ Related Parties, the Portfolio Manager shall comply with the following:

The Portfolio Manager shall invest up to a maximum of 30% of the Client's AUM in the securities of its associates/related parties. The Portfolio Manager shall ensure compliance with the following limits:

Security	Limit for investment in single associate/related party (as percentage of Client's AUM)	Limit for investment across multiple associates/related parties (as percentage of Client's AUM)
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities*	30%	

*Hybrid securities includes units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its associates/related parties and not to any investments in the Mutual Funds.

The Portfolio Manager shall not make any investment in unrated and below investment grade securities.

4. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY

SN	PARTICULARS	YES/ NO /NIL/ NA
i.	All cases of penalties imposed by the Board, or the directions issued by the Board under the Act or Regulations made there under	NIL
ii.	The nature of the penalty/ direction	NA
iii.	Penalties imposed for any economic offence and/or violation of any securities laws	NIL
iv.	Any pending material litigation/ legal proceedings against the Portfolio Manager/ Key Personnel with separate disclosure regarding pending criminal cases	NIL
v.	Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or regulatory agency	NIL
vi.	Any enquiry/ adjudication proceedings initiated by the Board or any regulatory agency against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer, or employee, under the Act or Regulations.	NIL

5. SERVICES OFFERED

(i) The Company proposes to offer discretionary, non-discretionary and advisory services to its Clients, as detailed hereinabove under section 3 (iv) of the Disclosure Document.

(ii) **Investment in Associate/ Group Companies:** The Portfolio Manager will not be investing in any of its listed associate/group companies.

(i) Investment Objectives and Policies:

The Portfolio Manager proposes to provide various portfolios/ services based on the mandate ofthe Client as agreed upon between the Portfolio Manager and the Client in the application form / agreement signed by the Client.

The investment objectives of the Portfolio of the Clients depending on the Clients' needs couldfall under any one or more of the following or any combination thereof:

a. to seek to generate capital appreciation / regular returns by investing in equity/ debt/ money market instruments / equity related Securities and /or units of mutual funds;

b. to seek to generate capital appreciation / regular returns by investing exclusively in units of mutual funds;

c. to seek to generate regular returns by primarily investing in debt and money marketinstruments; and

d. to seek to generate capital appreciation/ regular returns by investing exclusively in gilt Securities issued by the central/state government Securities. The type of Securities where investments may be made by the Portfolio Manager under any of the above-mentioned Services include the following:

e. shares, scrips, stocks, bonds, debentures, debentures stock or other marketable Securities of a like nature in or of any incorporated company or other body corporate;

f. derivatives as permitted under the regulations;

g. units or any other instrument issued by any collective investment scheme;

h. security receipt as defined in clause (zg) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002;

i. government securities;

j. units or any other such instrument issued to the investors under any scheme of mutual fund;

k. alternative investment fund or venture capital fund;

l. any certificate or instrument (by whatever name called), issued to any investor by any issuer being a special purposes distinct entity which possesses any debt or receivable, includingmortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be;

m. such other instruments as may be declared by the central government to be Securities; and

n. rights or interest in Securities.

The above-mentioned Securities are illustrative in nature. Investments can be made in various equity and equity related Securities including convertible/non-convertible and/or cumulative/non-cumulative preference shares, convertible and/or cumulative/non-cumulative debentures, bonds and warrants carrying the right to obtain equity shares, units of mutualfunds, units of alternative investment funds, ETFs, and other eligible modes of investment as may be permitted by the Regulations from time to time.

The Portfolio Manager may from time to time invest the idle cash balance in units of liquid schemes of mutual funds/ liquid ETF. Investments can be made in listed, unlisted, convertible, non-convertible, secured, unsecured, rated, or unrated or of any maturity, and acquired throughsecondary market purchases, Reserve Bank of India ("**RBI**") auctions, open market sales conducted by RBI etc., Initial Public Offers ("**IPOs**"), other public offers, bilateral offers, placements, rights, offers, negotiated deals, etc.

The debt category will include all types of debt securities including but not limited to securitised debt, pass through certificates, debentures (fixed, floating, variable coupon, and equity index /stocks/stocks basket linked), bonds, government securities issued or guaranteed by central or state government, non-convertible part of partially convertible securities, corporate debt of both public and private sector undertakings, securities issued by banks (both public and private sector) and development financial institutions, bank fixed deposits, commercial papers, certificate of deposit, trade bills, treasury bills and other money market instruments, units of mutual funds, units of SEBI registered alternative investment funds and venture capital funds, floating rate debt securities and fixed income derivatives like interest rate swaps, forward rate agreements etc. as may be permitted by the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

Asset classes for investment will always be subject to the scope of investments as may be agreed upon between the Portfolio Manager and the Client by way of any agreement, explicit or implied including this Disclosure Document, addenda thereof, other documents and communications in writing and emails duly authenticated and exchanged between the Client andthe Portfolio Manager.

6. RISK FACTORS

A. General Risk Factors:

i. Investments in Securities are subject to market risks, which include price fluctuation risks.There is no assurance or guarantee that the objectives of any of the Portfolios will be achieved. The investments may not be suited to all categories of investors.

ii. The past performance of the Portfolio Manager in any Portfolio is not indicative of the future performance in the same or in any other Portfolio either existing or that may be offered. Investors are not being offered any guaranteed or indicative returns through these services.

iii. The performance of the Portfolio may be affected by changes in government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.

iv. The performance in the equity portfolios may be adversely affected by the performance of individual companies, changes in the market place, company specific and industry specific and macroeconomic and regulatory factors.

v. The performance of the assets of the Client may be adversely affected by the performance of individual Securities, changes in the market place and industry specific and macroeconomic factors.

vi. The debt investments and other fixed income Securities may be subject to interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.

vii. Investments in niche sectors run the risk of volatility, high valuation, obsolescence, and low liquidity.

viii. The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the Client's Portfolio to liquidity risks.

ix. Engaging in Securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/ Counter Party.

x. Portfolio services using derivatives, futures and options are affected by risk different from those associated with stock and bonds. Such investments are highly leveraged instruments, and their use requires a high degree of skill, diligence, and expertise. Small price movements in the underlying Security may have a large impact on the value of derivatives and futures and options. Some of the risks relate to mispricing on the improper valuation of derivatives and futures and options and the inability to correlate the positions with underlying assets, rates, and indices. Additionally, the derivatives and future and options market are nascent in India.

xi. The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the portfolio management services. All Portfolios under portfolio management are subject to change at any time at the discretion of the Portfolio Manager.

xii. Investment decisions made by the Portfolio Manager may not always be profitable.

xiii. Investments made by the Portfolio Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.

xiv. The arrangement of pooling of Funds from various Clients and investing them in Securities could be construed as an 'Association of Persons' ("**AOP**") in India under the provisions of the Income Tax Act 1961 ("**IT Act**") and taxed accordingly.

xv. In case of investments in schemes of mutual funds, alternative investment funds and venture capital funds, the Client shall bear the recurring expenses and performance fee, if any, of the portfolio management services in addition to the expenses of the underlying schemes. Hence,the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying schemes in the same proportions.

xvi. After accepting the corpus for management, the Portfolio Manager may not get an opportunityto deploy the same or there may be delay in deployment. In such situations, the Clients may suffer opportunity loss.

xvii. The Portfolio Manager has no previous experience or track record as a portfolio manager.

xviii. The investment objectives of one or more of the investment profiles could result in concentration of a specific asset/asset class/sector/issuer etc., which could expose the Clients' Portfolio to risks arising out of non-diversification, including improper and/or undesired concentration of investment risks.

B. Specific Risk Factors:

i. Market risk: The Portfolio Value (**"PV")** of the Portfolio will react to the Securities market movements. The investor could lose money due to fluctuation in the PV of Portfolio in response to factors such as economic and political developments, changes in interest rates and perceived trends in Securities market movements and over longer periods during market downturns.

ii. Market trading risks: There may be an absence of active markets. Although Securities are listed on the exchange(s), there can be no assurance that an active secondary market will develop or be maintained.

iii. Lack of market liquidity: Trading in Securities on the exchange(s) may be halted because of market conditions or for reasons that in the view of the exchange authorities or SEBI, trading inaparticular Security is not advisable. In addition, trading in Securities is subject to trading halts caused by extra-ordinary market volatility and pursuant to exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of the market necessary to maintain the listing of Securities will continue to be met or will remain unchanged.

iv. ETF may trade at prices other than PV: ETF may trade above or below their PV. The PV or ETF may fluctuate with changes in the market value of a scheme's holdings of the underlying stocks. The trading prices of ETF will fluctuate in accordance with changes in their PVs as well asmarket supply and demand of ETF. However, given that ETF can be created and redeemed only in creation units directly with the mutual fund, it is expected that large discounts or premiumsto the PVs of ETFs will not sustain due to availability of arbitrage possibility.

v. Regulatory risk: Any changes in trading regulations by the exchange(s) or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to PV for ETFs. In the event of a halt of trading in market the Portfolio may not be able to achieve the stated objective. Regulatory risk is the risk that a change in regulation or legislation can adversely affect a security, company, or industry. Companies must abide by the regulations set by the governing bodies that have an oversight on their industry. Regulations can increase cost of operations, introduce legal and administrative disruptions and at times severely restrict a company's growth or even threaten its survival. Financial institutions are often subject to regulations with regard to disclosure, investment strategies and liquidity requirements, etc. Some of the features of the Income Portfolio investment approach like minimum investment corpus, systematic withdrawal by way of periodic payouts, interse transfer of securities among clients within the same investment approach or another investment approach (subject to the investment mandate being followed), eligibility of any instrument for investment, grandfathering of any existing investments in the event of change in regulations, etc. are subject to regulatory risk. Any adverse regulatory developments may hamper active and effective management of clients' portfolios.

vi. Asset class risk: The returns from the types of Securities in which the Portfolio Manager invest may underperform returns from the various general Securities markets or different asset classes. Different types of Securities tend to go through cycles of outperformance and underperformance in comparison of the general Securities markets.

vii. Performance risk: Frequent rebalancing of Portfolio will result in higher brokerage/ transaction cost. Also, as the allocation to other Securities can vary from 0% to 100%, there can be vast difference between the performance of the investments and returns generated by underlying Securities.

viii. Interest Rate Risk: Changes in interest rates may affect the returns/ PV of the liquid/debt scheme of mutual fund in which the Portfolio Manager may invest from time to time. Normally the PV of the liquid scheme increases with the fall in the interest rate and vice versa. Interest rate movement in the debt market can be volatile leading to the possibility of movements up or down in the PV of the units of the liquid/ debt funds. Duration risk or interest rate risk is the risk that the value of a bond, fixed-income investment or other money market instrument will suffer as the result of a change in interest rates. Investors are exposed to the movement of interest rates whenever their fixed income securities are redeemed, tendered, or sold prior to maturity. Movements in interest rates will have an impact upon the value of the fixed income securities. As interest rates move upwards, the value of the securities generally falls. Moreover, the longer the tenor of the Debentures/ fixed income security, the more sensitive the debentures/ fixed income security will be to interest rate changes. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some orall of the investments in the portfolio are faced with interest rate risk (owing to adverse interestrate movements) leading to substantial declines in mark to market values of the individual instruments in the portfolio.

ix. Credit risk: Credit risk refers to the risk that an issuer of fixed income security may default or may be unable to make timely payments of principal and interest. PV of units of the liquid scheme is also affected because of the perceived level of credit risk as well as actual event of default. The Income Portfolio investment approach invests in securities that have credit quality of a wide range and hence a varying amount of credit risk. Some of the investments in niche sectors run the risk of volatility, high valuation, obsolescence, and low liquidity. Owing to the credit risk of debt that the strategy is investing into, the preservation of capital is not guaranteed. In case of a default by issuer in any of the underlying securities, the trustees would endeavour to recover the principal and the interest for the investors but, enforcing their legal rights by litigating against defaulting issuers is generally a slow and potentially expensiveprocess in India. Hence there is a risk of erosion of the principal. Additionally, the recovery process in case of a default may take time to be implemented. Hence, at the level of each individual instrument, there exists a risk of partial or complete capital erosion in case of a default by the issuer. Due to various reasons, including a possible decline in the realizable value of the collateral, prolonged legal proceedings, unavailability of a ready market and fraudulent actions by issuers of debt security, the collateral may not be in a position to be foreclosed. Foreclosure on collateral may be subject to delays and administrative requirements that may result in, or be accompanied by, a decrease in the value of the collateral. Moreover, ininstruments such as unsecured debt, subordinate debt, perpetual debt, equity, or subordinate tranche of a PTC or in preference capital, collateral is not available. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some orall of the investments in the portfolio are faced with credit risk leading to delay in meeting scheduled interest payments or principal repayment obligations, material restructuring of the existing instruments achieved by amending the debenture trust deed or any other applicable transaction document or downgrade to default ratings.

x. Model risk: Investments in the Market Linked Debentures (“**MLDs**”) are also subject to model risk. The MLDs are created on the basis of complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behaviour of the Securitiesselected for hedging may significantly differ from the returns predicted by the mathematical models.

xi. Rating migration risk: The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA+ rated security with a maturity period of 4 years, a coupon of 9% p.a. and a market value of Rs. 100. If the security is upgraded to AAA categorywhich commands a market yield of, say, 8.5% p.a. its market value would increase to Rs 101.64(i.e. by 1.64%). If it is downgraded to AA category, which commands a market yield of, say, 9.5% p.a., its market value would drop to Rs. 98.40 (i.e. 1.6%) The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating. Active and effective portfolio management of debt securities may be hampered if some or all of them are faced with rating migration risk (owing to adverse interest rate movements) leading to substantial declines in mark to market values of the individual instruments in the portfolio.

Rating	Coupon	Yield	Market Value (Rs.)	Change
AA+	9%	9%	100	
Upgraded to AAA	9%	8.50%	101.64	1.64%
Downgraded to AA	9%	9.5%	98.40	1.6%

xii. Reinvestment risk: Reinvestment risk is the risk that future cash flows—either coupons (the periodic interest payments on the bond) or the final return of principal—will need to be reinvested in lower-yielding securities. If the interest rates in the market are falling, the principal may be prepaid prior to the scheduled payment dates, and the investor in such securities will have to reinvest at a lower interest rate. Reinvestment risk is relevant for allfixed income securities. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with reinvestment risk leading to significantly lower reinvestment yields.

xiii. Prepayment risk: Certain fixed income securities give an issuer the right to call back itssecurities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the portfolio manager to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the clients. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with prepayment risk.

xiv. Extension risk: Certain fixed income securities offer a call option to the issuer which gives an **issuer** the right to call back its securities before their maturity date according to a prefixed schedule which is agreed upon at the time of issuance of the instrument. Investors may often expect the issuers to exercise the call option when it falls due. However, the issuers may decide not to exercise the call option owing to micro/ macro considerations leading to an extension in the expected maturity of the instrument. Moreover, owing to certain macro/ micro events, the issuers may request for a moratorium or restructuring of the existing cash flows of the instrument which may lead to extension of the scheduled maturity of the investment.

xv. Concentration risk: There are inherent risks arising out of investment objectives, investment strategy, asset allocation and non-diversification of portfolio. However, generally, highly concentrated portfolios with lesser number of investments may be more vulnerable to risk thana portfolio with a larger number of investments. Diversified portfolios (allocated across companies and broad sectors) generally tend to be less volatile than non-diversified portfolios. Further, this risk is dependent on the nature of portfolio allocation and the nature of instruments (liquid / illiquid security, secured / unsecured, listed, high beta, etc.) Active and effective portfolio management of the Income Portfolio investment approach may be hampered if the portfolio turns concentrated across one or a few instruments.

xvi. Liquidity risk: The corporate debt market is relatively illiquid vis-à-vis the government securities market. There may be limited or no liquidity for a debt security held in the client's portfolio at the time of liquidation due to:

a. Low liquidity inherent in the bond market for bonds rated less than AA (portfolio and marketrisk)
b. Market conditions such as increased risk perception (market risk)
c. Default/ delay in payment by borrowers resulting in the inability of the security to be bought / transferred to another client (portfolio risk)

Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with liquidity risk leadingto the inability of the portfolio manager to transact in them. In the event the portfolio manager is unable to liquidate the securities in the client's portfolio within a reasonable time to meet theclient's redemption request, the client will be obliged to accept the securities in his portfolio as redemption proceeds.

xvii. Downgrade risk: While the rating of the securities may be BBB- or above (investment grade or above) at the time of investment, they may subsequently slide below investment grade before the maturity of the securities. In the event of more than one rating for the instrument/ security,the higher of the available ratings would be considered for inclusion in the portfolio. The portfolio manager may be forced to hold a security/ instrument in the Income Portfolio even if its credit rating drops below investment grade if he is unable to find a reasonable exit for it. Active and effective portfolio management of the Income basis investment approach may be hampered if some or all of the holdings in the portfolio are faced with downgrade below investment grade credit ratings.

xviii. Spread risk: In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions, the spreads may move adversely or favorably leading to fluctuation in the valuation of the security.

xix. Settlement risk**:** Different segments of Indian financial markets have different settlement periods, and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assetsof the clients' portfolio are uninvested, and no return is earned thereon. The inability of the portfolio manager to make intended securities purchases, due to settlement problems, could cause the clients to miss out on certain investment opportunities. Similarly, the inability to sell securities held in the clients' portfolio, due to the absence of a well-developed and liquid secondary market for debt securities, may result at times in potential losses to the clients in theevent of a subsequent decline in the value of securities held in the clients' portfolio. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the settlement risk.

xx. Risk of realizing capital losses**:** The portfolio manager may realize capital losses in the portfolio if it is deemed prudent in his assessment owing to any or all of the following reasons:

a. The risk (credit/ liquidity/ prepayment or any other risk) in holding the investment is deemed to be higher than realizing a capital loss.

b. The opportunity to earn a higher yield by reinvesting the proceeds of sale more than compensatefor the realized capital loss.

However, there is no assurance that the assumptions made by the portfolio manager for realizing capital losses would come true and as a consequence the client may suffer capital losses in the portfolio.

xxi. Risk of failure to honor systematic withdrawal requests**:** The portfolio manager may fail to honor the systematic withdrawal request provided by the client due to any or all of the following reasons:

a. Realized capital losses may lead to the portfolio value falling below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.

b. Mark to market decline in some or all the investments in the portfolio may lead to the portfolio value falling below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.

c. Direct coupon payouts from the issuer leading to reduction in portfolio value below the minimum regulatory requirement owing to the effects of dirty pricing.

d. Direct principal payouts from the issuer leading to reduction in portfolio value below the minimum regulatory requirements.

e. Recovery of management/ performance fees and other expenses leading to reduction in portfoliovalue below the minimum regulatory requirement for allowing redemptions/ systematic withdrawal requests.

f. Inability to manage sufficient liquidity in the portfolio may lead to failure to meet the systematic withdrawal request.

xxii. Volatility risk: The portfolio manager may not be able to invest all or a substantial proportion of the portfolio according to the mandate defined by the investment approach within a reasonable period of time due to market conditions of high-risk aversion or an equally high-risk tolerance leading to distortions in the risk-return tradeoff. Market conditions with high risk aversion or high-risk tolerance may also have a bearing on the valuation of the underlying securities as well as on the ability to exit the securities. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the prospect of such phases of volatility of risk aversion or risktolerance.

xxiii. Valuation risk: The portfolio manager may seek periodic valuations for the securities in the Income Portfolio from an external independent valuation agency to arrive at the market value ofthe portfolio. Such valuations may significantly differ from the most recent or current secondarymarket trades for the same or similar security. Similarly, valuations arrived at on the basis of accrual method and book values may also differ significantly from those quoted on the secondary market or by the external independent valuation agency. In the event of a secondary market transaction, for some or all of the securities in the portfolio, the realized prices and hence capital gains/ losses may vary significantly with those of the unrealized mark to market security values reported in the portfolio. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the adverse consequences of valuation risk.

xxiv. Illiquidity risk: The corporate debt market is relatively illiquid *vis-a-vis* the government Securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Further, liquidity may occur only in specific lot sizes. Liquidity in a Security cantherefore suffer. Even though the government securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. Trading in specified debt securities on the exchange may be halted because of market conditions or for reasons that in the view of the exchange authorities or SEBI, trading in the specified debt security is not advisable. There canbe no assurance that the requirements of the securities market necessary to maintain the listing of specified debt security will continue to be met or will remain unchanged. In such a situation, the Portfolio Manager at his sole discretion will return the Securities to the Client.

xxv. Zero return risk: Returns on investments undertaken in structured Securities would depend on occurrence /non-occurrence of the specified event. Thus, returns may or may not accrue to an investor depending on the occurrence/non-occurrence of the specified event.

xxvi. Redemption risk: The payoffs as envisaged in structured Securities are such that the Client may lose a part/entire amount invested. The investment approach at times may receive large number of redemption requests or face poor liquidity conditions to divest its securities when it receives even smaller number of redemption requests, leading to a liquidity deficit and therefore, requiring the portfolio manager to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments It is also possible that the portfolio manager may not be willing to undertake any or adequate sale of securities in the portfolio at below reasonable value leading to lack of liquidity for redeeming clients. In such a scenario, the redeeming clients will be obliged to accept securities as part of redemption proceeds. Active and effective portfolio management of the Income Portfolio investment approach may be hampered if some or all of the investments in the portfolio are faced with the prospect of a distress sale or inability to be divested for lack of an opportunity to be sold at a reasonable price.

xxvii. Risk of real estate investment: Investment in Securities of companies investing in real estate is subject to risk of fluctuations in real estate prices. Portfolio returns are dependent on real estate market. Investor could lose money if real estate prices go down at the time of maturity.

xxviii. Risk of pharmaceutical and healthcare investment: Investment in companies engaged in healthcare and pharmaceutical sector will involve the inherent risk of the transitory development that the sector is witnessing in India. Since this sector has attracted government incentivisation and extensive policymaking, there might be fluctuations in investment returns from the sector due to competitive pricing induced on account of changes in the relevant policy and the regulations. Along with competition from other major international players such as China, there is also risk associated with the still evolving technology, research and development,and manufacturing standards in light of the stringent international best practises such as, *inter alia*, the US Food and Drug Administration, which may have an implication on the returns on investment in such sector.

xxix. Risk of investment in mutual funds: Investments in schemes of mutual funds are subject to market risks and there is no assurance or guarantee that the objectives of the scheme will be achieved. Further, any investment in mutual funds is also subject to any risk factors outlined in the scheme information document and statement of additional information of the mutual fund and an adverse performance of a mutual fund scheme in which the Portfolio Manager has made investments could adversely impact the value of anticipated returns.

xxx. Investments in derivative instruments: As and when the investments are done in derivative market, there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instrument that require investmenttechnique and risk analysis different from those associated with stocks. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the Portfolio and the ability to forecast price. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the portfolio manager to identify such opportunities. Identification and execution of the strategies to be pursued by the portfolio manager involve uncertainty and the decision ofthe portfolio manager may not always be profitable. No assurance can be given that the portfolio manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. There are certain risks inherent in derivatives.

There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "**Counter Party**") to comply with the terms of the derivative contract. Other risks in using derivatives include but are not limited to:

a. Credit risk: Such a risk occurs when a counterparty defaults on a transaction before settlement; and therefore, involves negotiation with another Counter Party, at the then prevailing (possibly unfavourable) market price, in order to maintain the validity of the hedge. For ETFs, the riskmay be mitigated, as the exchange provides the guaranteed settlement, but one takes the performance risk on the exchange.

b. Market liquidity: This risk is where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates, and indices.

c. Model risk: This is the risk of mis-pricing or improper valuation of derivatives.

d. Basis risk: This risk arises when the instrument used as a hedge does not match the movement inthe instrument/underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets. The risk of loss associated with futures contracts is potentially unlimited due to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a derivative contract may result in animmediate and substantial loss or gain. However, the Portfolio Manager will not use derivative instruments, options, or swap agreements for speculative purposes or to leverage its net assets and will comply with applicable SEBI regulations. There may be a cost attached to buying derivative instrument. Further, there could be an element of settlement risk, which could be different from the risk in settling physical shares. The possible lack of a liquid secondary market for a derivatives contract may result in inability to close the derivatives positions prior to their maturity date. During the life of floating rate security or a swap, the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

e. Price risk: Despite the risk mitigation provided by various derivative instruments, there remains an inherent price risk which may result in losses exceeding actual underlying.

f. Default risk: This is the risk that losses will be incurred due to default by counter party. This is also known as credit risk or counterparty risk.

g. Limitations on upside: Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.

h. Liquidity risk: It pertains to the saleability of a security in the market. All securities/instruments irrespective of whether they are equity, bonds or derivates may be exposed to liquidity risk (when the sellers outnumber buyers) which may impact returns while exiting opportunities.

i. Event risk: The risk related to hedging for use of derivatives, (apart from the derivatives risk mentioned above) is that event of risk, which we were anticipating and hedged our position to mitigate it, does not precipitate. In such case, the cost incurred in hedging the position would be a avoidable charge to the portfolio.

xxxi. Specific Risk factors and disclosures pertinent to structured notes and securitised debtinstruments:

a. Presently, secondary market for such securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such Securities. This could limit the ability of the investments to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in theinterest rate structure.

b. Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The credit enhancement stipulated represents a limited loss cover to the Investors. These certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the issuer or the seller or the originator, or the parent or any affiliate of the seller, issuer, and originator. No financial recourse is available to the certificate holders against the investors' representative(s). Delinquencies and credit losses may cause depletion of the amount available under the credit enhancement and thereby the investor pay-outs may get affected if the amountavailable in the credit enhancement facility is not enough to cover the shortfall. On persistent default of an obligor to repay his obligation, the seller may repossess and sell the underlying asset. However, many factors may affect, delay, or prevent the repossession of such asset or thelength of time required to realize the sale proceeds on such sales. In addition, the price at which such asset may be sold may be lower than the amount due from that obligor.

c. The structured notes like the index linked securities, in which Funds are proposed to be investedin, are high risk instruments. A small movement in returns generated by the underlying index could have a large impact on their value and may also result in a loss.

d. The issuer of equity index linked securities or any of its agents, from time to time may have longor short positions or make markets including in NIFTY indices, futures and options (hereinafter referred to as "**Reference Assets**") (and other similar assets), they may act as an underwriter ordistributor of similar instruments, the returns on which or performance of which, may be at variance with or asymmetrical to those on the Securities, and they may engage in other public and private financial transactions (including the purchase of privately placed investments or Securities or other assets). The foregoing activities of '*the issuer of index linked securities*' or any of its agents and related markets (such as the foreign exchange market) may affect the value of the Securities. In particular, the value of the Securities could be adversely impacted by a movement in the Reference Assets, or activities in related markets, including by any acts or inactions of 'the issuer of index linked securities' or any of its agents;

e. The equity Index linked Securities, even after being listed, may not be marketable or may not have a market at all;

f. The returns on the structured Securities, primarily are linked to the S&P CNX Nifty Index and/or any other equity benchmark as the Reference Asset, and even otherwise, may be lower than prevalent market interest rates or even be nil or negative depending entirely on the movementin the underlying index and futures values as also that over the life of the Securities (including the amount if any, payable on maturity, redemption, sale or disposition of the Securities) the Security holder may receive no income/return at all or negative income/return on the Security, or less income/return than the Security-holder may have expected, or obtained by investing elsewhere or in similar investments.

g. The return on investment in Securities would depend on the prevailing market conditions, both domestically as well as internationally. The returns mentioned in the term sheets are indicative and may or may not accrue to an investor accordingly.

h. In equity index linked Securities, in the event of any discretions to be exercised, in relation to method and manner of any of the computations including due to any disruptions in any of the financial markets or if for any other reason, the calculations cannot be made as per the method and manner originally stipulated or referred to or implied, such alternative methods or approachshall be used as deemed fit by the issuer and may include the use of estimates and approximations. All such computations shall be valid and binding on the investor, and no liabilitythere for will attach to the issuer of equity index linked Securities /asset Management Company.

i. There is a risk of receiving lower than expected or negligible returns or returns lower than the initial investment amount in respect of such equity index linked Securities over the life and/or part thereof or upon maturity, of the Securities.

j. At any time during the life of such Securities, the value of the Securities may be substantially less than its redemption value. Further, the price of the Securities may go down in case the credit rating of the Company or issuer goes down.

k. The Securities and the return and/or maturity proceeds hereon, are not guaranteed, or insuredin any manner by the Issuer of equity index linked securities.

l. The issuer of equity index linked Securities or any person acting on behalf of the issuer of equityindex linked Securities, may have an interest/position as regards the Portfolio Manager and/or may have an existing banking relationship, financial, advisory, or other relationship with them and/or may be in negotiation/discussion with them as to transactions of any kind.

m. The issuer of equity index linked securities or any of its agents, have the legal ability to invest inthe units offered herein and such investment does not contravene any provision of any law, regulation or contractual restriction or obligation or undertaking binding on or affecting the investor, and/or its assets.

n. Liquidity risk: There is no assurance that a deep secondary market will develop for the instrument. This could limit the ability of the investor to divest them.

o. Limited Recourse: The instruments represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the buyer of the security against the Investors' Representative.

p. Delinquency and Credit Risk: Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the monthly investor payout to the Holdersmay get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Servicer may repossess and sell the underlying asset. However, many factors may affect, delay, or preventthe repossession of such an underlying asset, or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such underlying asset may be sold may belower than the amount due from that Obligor.

q. Risks due to possible prepayments: Full prepayment of a contract may lead to an event in which investors may be exposed to changes in tenor and yield.

r. Bankruptcy of the Originator or Seller: If the service provider becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from each Originator was not a sale then an investor could experience losses or delays in the payments dueunder the instrument.

xxxii. <u>Risks of investing in a covered bond</u>: If the service provider becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from each Originator to the Trust is not valid, the investor could experience losses or delays in the payments due under the instrument.

xxxiii. <u>Risk factors associated with investments in REIT and InvIT:</u>

i. Risk of lower-than-expected distributions: The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/INVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate primarily based on the below, among other things:

  a. success and economic viability of tenants and off-takers
  b. economic cycles and risks inherent in the business which may negatively impact valuations, returns and profitability of portfolio assets
  c. force majeure events such as earthquakes, floods etc. rendering the portfolio assets inoperable
  d. debt service requirements and other liabilities of the portfolio assets
  e. fluctuations in the working capital needs of the portfolio assets
  f. ability of portfolio assets to borrow funds and access capital markets
  g. changes in applicable laws and regulations, which may restrict the payment of dividendsby portfolio assets
  h. amount and timing of capital expenditures on portfolio assets
  i. insurance policies may not provide adequate protection against various risks associatedwith operations of the REIT/InvIT such as fire, natural disasters, accidents, etc.
  j. taxation and other regulatory factors

ii. Price-Risk: The valuation of the REIT/InvIT units may fluctuate based on economic conditions, fluctuations in markets (e.g. real estate) in which the REIT/InvIT operates in and the resulting impact on the value of the portfolio of assets, regulatory changes, force majeure events etc.

iii. REITs & InvIT may have volatile cash flows. As an indirect shareholder of portfolio assets, unit holders' rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets.

iv. Interest rate risk: Generally, there would be an inverse relationship between the interest rates and the price of units. Generally, when the interest rates rise, prices of units fall and when interest rates drop, such prices increase.

v. Liquidity Risk: This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be occasions when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.

xxxiv. <u>Past performance is not indicative of future performance:</u> The portfolio manager may share the past performance track record of the Income Portfolio investment approach especially with respect to the payouts earned by the clients in the portfolio over different periods of time with prospective clients. Past performance is **neither** indicative of future performance **nor** is there any assurance that some or all of the current aspects, features, highlights such as systematic withdrawal, credit quality, etc. of the investment approach may continue into the future. Investments are subject to market risks and many other forms of risk which have been describedin the risk disclosure document.

7. CLIENT REPRESENTATION

(i) Details of Clientele and Funds Managed under DISCRETIONARY.

CATEGORY OF CLIENTS	AS ON MARCH 31, 2023	AS ON MARCH 31, 2022	AS ON MARCH 31, 2021
NO. OF CLIENTS	**44**	**23**	**16**
Individual	44	23	16
Corporate	0	0	0
FUNDS MANAGED (RS. IN CR)	**45.87**	**24.05**	**23.34**

(ii) Details of Clientele and Funds Managed under NON-DISCRETIONARY.

CATEGORY OFCLIENTS	AS ON MARCH 31, 2023	AS ON MARCH 31,2022	AS ON MARCH 31, 2021
NO. OF CLIENTS	**73**	**47**	**18**
Individual	72	45	17
Corporate	1	2	1
FUNDS MANAGED(RS. IN CR)	**251.84**	**212.91**	**151.04**

(iii) Disclosure in Respect of Transactions with Related Parties as on March 31,2023.

(a) Related Parties and their Relationship:

SN	NAME OF THE PARTY	NATURE OF RELATIONSHIP
1.	Klay Holding (DIFC) Limited	Holding Company
2.	Klay Finvest Private Limited	Fellow Subsidiary
3.	Klay Investment Private Limited	Fellow Subsidiary
4.	Klay Asset Management (Mauritius) Limited	Associate Company
	Klay Capital Limited	Associate Company
5.	Klay Growth Fund	Investment Manager to AIF CAT III
6.	Kalpesh Khakhria	Director
7.	Anirudh Sisodia	Director
8.	Ian D'souza	Director
9.	Akshat Kumar	Director

(b) Significant transactions with Related Parties as per balance Sheet on 31.03.2023.

PARTICULARS	APRIL 01, 2022 TO MARCH 31, 2023 (in '000.)
Klay Finvest Private Limited	
Trading related expenses	--
Management fees	2,638
Reimbursement of expense	690
Rendering of services (Purchase of bonds)	12,483
Klay Asset Management (Mauritius) Limited	
Investment advisory services	413
Klay Holdings DIFC Limited	
Issue of shares	191786
Interest expense on debentures	7238

Klay Capital Limited	
Placement & Management expense	14427
Reimbursement of expenses	421
Akshat Kumar	
Reimbursement of expenses	17,595
Ian D'Souza	
Reimbursement of expenses	3185
Employee Benefit Expenses	
Akshat Kumar	4995
Ian D'Souza	14055
Klay Growth Fund	
Trade Related	245
Management and Placement fees	5875
Klay Funds Limited	
Brokerage	99
Reimbursement of expenses	110

(c) Conflicts of interest with separate business divisions and affiliates.

1. Klay Securities Private Limited, apart from being a SEBI Registered Portfolio Manager, is a SEBI Registered Stock Broker vide Registration Number INZ000177934, and a SEBI Registered Depository Participant vide Registration Number IN-DP-388-2018 and an Investment Manager to category III Alternate Investment Fund registered with SEBI vide Registration NumberIN/AIF3/19- 20/0753. All the aforesaid activities are carried on by the respective separately identifiable division of the company at arm's length basis.

2. Klay Securities Private Limited has several affiliates both abroad and within India (hereinafter called the "**Affiliates**" of Klay Securities Private Limited). There has been no adverse business and disciplinary history in respect of any of the aforesaid entities.

3. Klay Securities Private Limited and some of the affiliates are engaged in various types of distribution services of financial products. One of its associate company Klay Investment AdvisersPrivate Limited is a SEBI registered Investment Advisor. KIAPL does not promote the services offered by its Affiliates to any of its Clients. It's another associate company Klay Finvest Private Limited is a RBI registered Non-Banking Financial Company. Certain transactions on behalf of theClients of Portfolio Management (eg: sale and purchase of listed Securities, investment in unitsof mutual funds and corporate bonds etc. may be carried out through these separately identifiable divisions of Klay Securities Private Limited and/or through affiliates that are authorised to carry out such transactions. It is disclosed that, while such transactions will be carried out at arm's length from the PMS Division of Klay Securities Private Limited, it may earn commission/brokerage on such transactions within permissible limits wherever applicable. In this connection, it is disclosed that there will exist a conflict of interest to the extent of such commissions/brokerages. The conflict is mitigated by keeping such transactions at arm's length and at market related rates.

Details of investments in the securities of related parties of the Portfolio Manager:

Sr.No.	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on last day of the previous calendar quarter (INR in crores)	Value of investment as on last day of the previous calendar quarter (INR in crores)	percentage of total AUM as on last day of the previous calendar quarter
NIL					

4. Klay Securities Private Limited, may have a proprietary trading portfolio of Securities, appropriately carried on with due approval from the respective stock exchanges with whom it is a member. Due care is taken to ensure that any such investments/holdings do not violate any SEBI Regulations in letter and spirit.

8. FINANCIAL PERFORMANCE OF PORTFOLIO MANAGER

PARTICULARS	FOR THE YEAR ENDED MARCH 31, 2023 (Rs.)	FOR THE YEAR ENDED MARCH 31, 2022(Rs.)	FOR THE YEAR ENDED MARCH 31, 2021 (Rs.)
	Audited	Audited	Audited
Gross Income	4,84,48,890	60,788,150	3,37,18,366
Expenses	14,77,90,839	155,002,300	7,96,14,373
Profit / (Loss) before Tax	(9,93,41,949)	(94,214,150)	(4,58,96,007)
Provision for Taxation	(34,46,000)	3,410,945	2,29,228
Profit / (Loss) after Tax	(10,27,87,949)	(90,803,205)	(4,56,66,779)
Balance in Profit & Loss account brought forward	(26,35,37,144)	(1,72,733,560)	(12,70,68,131)
Balance in Profit & Loss accountcarried forward	(36,63,25,093)	(2,63,536,766)	(4,56,66,779)
Equity Capital	62,92,93,250	4,37,507,250	43,75,07,250
Reserves and Surplus	(36,63,25,093)	(2,63,536,766)	(17,27,34,910)

9. PORTFOLIO MANAGEMENT PERFORMANCE

The following table provides details of the portfolio management performance for preceding 3 years using "Time weighted Rate of Return" method in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulation, 2020.

a. **DPMS**

Pharma And Healthcare Growth Opportunities Fund

PARTICULARS	As on March31, 2023	As on March 31, 2022	As on March31, 202
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	-22.68	-1.07	NA
Benchmark Performance (%)SPBSHLIT	2.78	-2.87	NA

Note: The strategy has not completed as on March 31, 2022

Thematic Strategy

PARTICULARS	As on March31, 2023	As on March 31, 2022	As on March31, 202
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	-4.09	6.6	59.20

Benchmark Performance (%) BSE 200 TR	-0.61	21.26	76.26

Income Portfolio

PARTICULARS	As on March31, 2023	As on March 31, 2022	As on March31, 202
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	7.9	2.39*	NA
Benchmark Performance (%) SPBINCOT (Nov 21 to Sep 22) Crisil Customized Klay Securities Index (Oct 22 to March 23)	7.12	0.42*	NA

Note: The strategy has not completed 1 year as on March 31, 2022. CRISIL Customized Klay Securities Index was used for part of the year in place of SPBINCOT.
*Income Portfolio was launched in November 2021. Accordingly, absolute return for the period Nov-21 to Mar-22 has been reported.

b. NDPMS

PARTICULARS	As on March 31, 2023	As on March31, 2022	As on March 31, 2021
Portfolio Performance (%), net of all fee and charges levied by the Portfolio Manager	-2.35	5.76	22.79

*Disclaimer: The performance related information is not verified by SEBI.

For all the Investment Approach/strategies mentioned above; the benchmark selected shall be based on the SEBI circular dated December 16, 2022 & APMI (Association of Portfolio Managers of India) circular dated March 23, 2023, and March 31, 2023. The said circulars are effective from April 1, 2023 and accordingly all Portfolio Managers are mandated to use amongst the stated benchmarks.

W.E.F. April 1, 2023 KSPL uses the following benchmarks:

Investment Approach/Strategy	Benchmark
Pharma And Healthcare Growth Opportunities Fund	S&P BSE 500 TR
Thematic Strategy	S&P BSE 500 TR
Income Portfolio	Crisil - Aggressive Credit Debt Term Index
NDPMS	BSE S&P Hybrid TR

10. AUDIT OBSERVATIONS

There have been no adverse observations reported by Statutory Auditor in the last 3 preceding years.

11. NATURE OF COSTS & EXPENSES

The following are indicative types of costs and expenses for Clients availing the portfolio management services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and the agreements in respect of each of the services availed at the time of execution of such agreements.

(i) **Management Fees/ Advisory Fees:** Professional charges relate to the portfolio management services offered to Clients by the Portfolio Manager. The fee may be a fixed charge, a percentage of the quantum of Funds managed, performance based, fixed fee charged upon exit, or a combination of any of these. Return based fees shall be calculated on "*High Water Mark Principle*".

(ii) **Custodian/Depository Fees:** The charges relating to opening and operation of dematerialized accounts, custody, Fund administration and transfer charges for shares, bonds and units, dematerialization, rematerialisation and other charges in connection with the operation and management of the depository accounts.

(iii) **Registrar and Share Transfer Agent Fee:** Charges payable to registrars and share transferagents in connection with effecting transfer of Securities and bonds including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges.

(iv) **Brokerage and Transaction Costs:** The brokerage charges and other charges like service charge,stamp duty, transaction costs, turnover tax on the purchase and sale of shares, stocks, bonds, debt, deposits, units, and other financial instruments.

The Company is also a SEBI registered Stock Broker. Subject to the Client executing an agreement with Company for availing its brokerage services, the Company may act as the Stock Broker for a Client in respect of any transaction for the Client.

(v) **Certification and Professional Charges:** Charges payable for outsourced professional services like accounting, taxation and legal services, notarizations etc. for certifications, attestations required by bankers or regulatory authorities.

(vi) **Incidental Expenses:** Charges in connection with the courier expenses, stamp duty, service tax, depository charges, postal, telegraphic, opening and operation of bank accounts etc.

(vii) **Other Charges:** As may be mutually agreed between Client and Portfolio Manager.

(viii) **Audit Report Fees:** In terms of Regulation 30(3) of the Regulations, the Client shall be issued an audit report from the internal auditors of the Company for which fee is payable to the auditors.

(ix) **Distribution Fees:** Further to Regulation 23(10) of the Regulations, if the Client is onboarded through a distributor, the distributor shall be paid fees or commission only on trail basis. The fees or commission paid shall be only from the fees received by Portfolio Manager.

The Client shall pay by way of cheque/DD/Debit to the Client portfolio account, as per the respective fee schedule applicable to the portfolio services opted by the Client, as provided in the agreement between the Client and the Portfolio Manager.

12. TAXATION

The information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Client *vis-à-vis* the investments made through the portfolio management services route. This information gives the direct tax implications on the footing that the Securities are/will be held for the purpose of investments. In case the Securities are held as stock-in-trade, the tax treatment will substantially vary and the issue whether the investments are held as capital assets or stock-in-trade needs to be examined on a case-to-case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment under portfolio management services route shall endure indefinitely.

Further, the statements with regard to benefits mentioned herein are expressions of views and not representations of the Portfolio Manager to induce any Client, prospective or existing, to invest under portfolio management services route. Implications of any judicial decisions/ Double Tax Avoidance Treaties, etc. are not explained herein. The Client should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment, or any other matter. In view of individual nature of the tax benefits, interpretation of circulars for distinguishing between capital asset and trading asset, etc., the Client is advised to best consult its or his or her own tax consultant, with respect to specific tax implications arising out of its or his or her portfolio managed by the Portfolio Manager.

It is the responsibility of all prospective Client to inform themselves as to any income tax or other tax consequences arising in the jurisdictions in which they are resident or domiciled or have any other presence for tax purposes, which are relevant to their particular circumstances in connection with the acquisition, holding or disposal of the Securities.

The following summary is based on the law and practice of the IT Act, the Income-tax Rules, 1962 (the "**IT Rules**") and various circulars and notifications issued thereunder from time to time. The IT Act is amended every year by the Finance Act of the relevant year.

The tax rates mentioned below relate to Financial Year 2022-23 (Assessment Year 2023-24) and are exclusive of surcharge and education cess, unless specified otherwise. The applicable rate of surcharge as follow:

Tax Rates:

1. Resident individual or HUF or AOP or BOI or any other artificial juridical person (Refer Note: 1)	30%*+ surcharge & cess
2. Foreign companies	40% + surcharge & cess
3. Partnership Firms	30% + surcharge & cess
4. Domestic Company	
i) Where its total turnover or gross receipt during the previous year 2020-21 does not exceed Rs. 400 crore	25%+ surcharge & cess
ii) Where it opted for Section 115BA	25%+ surcharge & cess
iii) Where it opted for Section 115BAA	22%+ surcharge & cess
iv) Where it opted for Section 115BAB (Set up and registered after 1st Oct 2019)	15%+ surcharge & cess
v) Any other domestic company	30%+ surcharge & cess
5. Non-resident Indians	30%* + surcharge & cess
6. Co-Operative Society	30%* + surcharge & cess

*Maximum slab rate is 30%, although generally taxed @ slab Rate for income other than Capital Gain.

Note 1: Union budget 2020, have proposed new section 115BAC to give an option to Individual and HUF to opt for concessional rate of tax provided they do not claim certain exemptions and deductions. Union budget 2023 expanded scope of section 115BAC to Association of Persons (AOP) other than co-operative society, body of individual and artificial judicial person

Income Tax slabs under new tax regime	Rates
0 to Rs 3 lakh	0
Rs 3 lakh to Rs 6 lakh	5%
Rs 6 lakh to Rs 9 lakh	10%
Rs 9 lakh to Rs 12 lakh	15%
Rs 12 lakh to Rs 15 lakh	20%
Income above Rs 15 lakh	30%

Assesses	Rate of surcharge applicable
Non-corporate taxpayers (other than firms and co-operative societies), when income does not exceed Rs 5 million and Non-corporate taxpayers being firms and co-operative societies, when income does not exceed Rs 10 million	No basic surcharge.
Non-corporate taxpayers (other than firms and co-operative societies), when income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 5 million but does not exceed Rs 10 million	10 percent basic surcharge.
Non-corporate taxpayers (other than firms and co-operative societies), when income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 10 million but does not exceed Rs 20 million	15 percent basic surcharge.
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 20 million but does not exceed Rs 50 million	• 25 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A and section 115AD(1)(b) of the IT Act, and • 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act.
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends # and capital gains under section 111A, section 112A and section 115AD(1)(b) of theIT Act] exceeds Rs 50 million	• 37 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A and section 115AD(1)(b) of the IT Act, and • 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act.
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of theIT Act] does not exceeds Rs 20 million but income [including dividends# and capital gains under section 111A, section 112A and section 115AD(1)(b) of the IT Act] exceeds Rs 20 million	15 percent basic surcharge.
Non-corporate taxpayers being firms or cooperative societies when income exceeds Rs 10 million	12 percent basic surcharge.
Domestic companies (other than companies availing benefit under section115BAA of the IT Act) having taxable income equal to or less then Rs 10 million	No basic surcharge.
Domestic companies (other than companies availing benefit under section115BAA of the IT Act) having taxable income more than Rs 10 million but does not exceed Rs 100 million	7 percent basic surcharge
Domestic companies (other than companies availing benefit under section115BAA of the IT Act) having taxable income more than Rs 100 million	12 percent basic surcharge.
Domestic companies availing benefit under section115BAA and section 115BAB of the IT Act	10 percent basic surcharge (irrespective of taxable income
Foreign Companies (including corporate Foreign Portfolio Investors (FPI)) having taxable income equal to or less than Rs 10 million per annum	No basic surcharge.
Foreign Companies (including corporate FPI) having taxable income more than Rs.10 million but does not exceed Rs 100million per annum	2 percent basic surcharge.

Foreign companies (including corporate FPI) having taxable income more than Rs 100 million	5 percent basic surcharge.

Further, health and education cess at 4% is leviable (irrespective of the level of income) on aggregate of tax and surcharge.

#Refers to dividend received from domestic companies and not to income from units received from Mutual Funds.

Additionally, any non-resident non-corporate shareholders (including FPI) having dividend income under section 115A(1)(a)(i) and section 115AD(1)(a) of the IT Act, shall not be eligible for the reduced rate of surcharge (i.e. 15 percent as discussed above) while offering such 25 incomes to tax.

Taxation in hands of Investors

<u>Taxation of resident investors:</u>

A resident will be charged to tax in India on his global income i.e. income earned in India as well as income earned outside India.

<u>Taxation of non-resident investors:</u>

A non-resident investor would be subject to taxation in India only if;

- it is regarded a tax resident of India; or
- being a non-resident in India, it derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued in India in terms of the provisions of the IT Act.

I. DISTRIBUTION OF INCOME

a) Dividend income

▪ **Dividends declared, distributed, or paid from 1 April 2020**

With effect from 1 April 2020, FA 2020 has abolished the DDT charged under section 115O and section 115R of the IT Act on the dividends paid by the domestic company and Mutual Fund, respectively, thereby transferring the tax burden completely in the hands of the shareholders/ unitholders. Resultantly, section 10(34) and section 10(35) of the IT Act has also been deleted. Currently, the dividend is taxable in the hands of the unitholders at the applicable tax slab rates (Refer Note 1 for tax rates) and also, subject to withholding of taxes at source by the Mutual Fund at following rates:

Particulars	Tax Implications in Dividend received by unit holders	Withholding of Taxes by Mutual Fund
Resident (Individuals / Non-corporates / Corporates)	Taxed in the hands of unitholders at applicable rate under the provisions of the IT Act	10% under section 194K of the IT Act*
Non-residents (Individuals/ Non Corporates/ Corporates) **	Taxed in the hands of unitholders at the rate of 20% under section 115A of the IT Act. (plus, applicable surcharge and cess).	20% (plus applicable surcharge and cess) u/s 196 A of the IT Act

* As per provision of section 194K of the IT Act, where the amount of income credited or paid in a financial year, in aggregate, does not exceed INR 5,000, no withholding is required to be carried out.

Further, where any person furnishes a NIL/ lower withholding certificate obtained under section 197 of the Act/ certificate in Form 15G/ Form 15H of the IT Act, the same can be considered for withholding tax purposes

** Taxability in the hands of non-resident Individuals / non- resident non-corporates / non- resident corporates shall be subject to Double Taxation Avoidance Agreement (“DTAA” or “tax treaty”) benefits which can be claimed in the return of income to be filed by such investors. The investors should obtain specific advice from their tax advisors regarding the availability of the tax treaty benefits.

Such dividend or income from units is now taxable in the hands of investors after the deduction of interest expense incurred if any, and such deduction shall not exceed 20% of the dividend or income from units under section 57 of the IT Act.

b) Interest Income

Income in the nature of interest on debentures, shall be subject to tax in the hands of the investors at the normal rates applicable to each class of investors.

II. Capital Gains

A. Equity shares, Units of equity-oriented funds, Units of REITS / InvITs

Gains arising on transfer of listed equity shares and units of an equity-oriented fund shall be characterized as long-term capital gains if such listed shares/ units are held for a period exceeding 12 months.
Gains arising on transfer of unlisted shares shall be considered as long-term capital gains if such shares are held for a period exceeding 24 months. In case of other units (including units of REITS, InvITs), the gains shall be considered as long-term capital gains, if such units are held for a period exceeding 36 months.

(a) Long Term

For resident Individuals, HUF, Partnerships Firm, and Indian Companies

Listed on a recognized stock exchange - As per section 112A of the Income Tax Act, 1961 ("IT Act") long term capital gains (in excess of Rs. 1 lakh, on an aggregate basis in a financial year), arising from transfer of equity shares, or units of equity-oriented funds or units of REITs/InvITs, shall be taxable at 10% (plus surcharge and cess), provided STT has been paid at the time of acquisition and transfer of such capital asset, in the case of equity shares[1], and paid at the time of transfer in the case of units of equity-oriented fund/REIT/InvIT.

As per section 112 of the IT Act, if listed equity shares are transferred other than as mentioned above, gains shall be taxable @ 10% (plus applicable surcharge and cess) without claiming indexation benefit (or 20% (plus applicable surcharge and cess) after claiming indexation benefit).

Unlisted – As per section 112 of the IT Act, long term capital gains arising on transfer of unlisted equity shares or units of equity-oriented funds or units of REITs/ InvITs shall be taxable @ 20% (plus applicable surcharge and cess), after applying the benefit of indexation.

Non-resident Indian investor

Listed on a recognized stock exchange- Section 112A of the IT Act (referred to above), shall also be applicable to non-resident investors, on long term capital gains arising on transfer of equity shares or units of equity oriented mutual funds/REITS/InvITs (subject to payment of STT). Further, where the conditions of section 112A of the IT Act are not met, the provisions of section112 of the IT Act shall apply as per which the long-term capital gains shall be taxable @ 10% (plus applicable surcharge and cess)

Unlisted- Long-term capital gains shall be taxable at the rate of 10% (plus applicable surcharge and cess) on the transfer of capital assets, being unlisted securities including equity shares.

(b) Short Term

Under section 111A of the IT Act, income from short-term capital gains arising from the transfer of equity shares or units of an equity oriented mutual fund or units of a REITs / InvITs on a recognized stock exchange, on which STT is paid, are taxable at the rate of 15% (plus the applicable surcharge and cess).

The tax rates applicable to different categories of assesses on short-term capital gains (other than those referred to above) would be the normal tax rates applicable to the investors.

B. Debentures / Units of a mutual fund (other than equity oriented):

Gains arising on transfer of listed debentures shall be treated as long term capital gains if such listed debentures are held for a period exceeding 12 months. In the case of unlisted debentures and listed / unlisted units of a mutual fund (other than equity-oriented fund), the gains shall be considered as long-term capital gains if such securities are held for a period exceeding 36 months.

(a) Long term

For resident Individuals, HUF, Partnerships Firm, and Indian Companies:

Listed on a recognized stock exchange - Long term capital gains arising on transfer of listed debentures shall be taxable @ 10%, and long-term capital gains arising on transfer of listed units of a mutual fund (other than equity oriented), shall be taxable @ 20% (plus applicable surcharge and cess)

Unlisted – Long term capital gains arising on the transfer of unlisted debentures or units of a mutual fund (other than equity oriented) shall be taxable @ 20% (plus applicable surcharge and cess)

Non-resident Indian investor:

Listed on a recognized stock exchange - Long term capital gains arising on transfer of listed debentures shall be taxable @ 10%, and long-term capital gains arising on transfer of listed units of a mutual fund (other than equity oriented), shall be taxable @ 20% (plus applicable surcharge and cess)

Unlisted - Long term capital gains arising on the transfer of unlisted debentures / units of a mutual fund (other than equity oriented) shall be taxable @ 10% (plus applicable surcharge and cess)[2]

(b) Short term

Short term capital gains arising on transfer of debentures / units of a mutual fund (other than equity oriented), whether listed or unlisted, shall be taxable at the normal rates applicable to the investors

C. Indexation benefit for computing capital gains

To compute long term capital gains, the investor can claim the benefit of indexation by applying the applicable cost inflation index, except in the case of (i) debentures and (iii) securities taxable under section 112A

III. Deemed income on investment in shares / securities

In terms of section 56(2)(x) of the IT Act, if shares / securities are acquired (either by way of fresh subscription or secondary acquisition) for less than the fair market value of the shares / securities (computed as per prescribed rules), the difference between the price paid and fair value thereof shall be deemed as ordinary income of the acquirer.

Separately, if shares other than "quoted shares" are transferred for less than the fair value of the shares (computed as per prescribed rules), the fair value of such unquoted shares shall be deemed to be the sale consideration for the seller, for computing its capital gains for Indian tax purposes. "Quoted share" is defined as "the share quoted on any recognized stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business."

Thus, in case of acquisition of shares or securities of the investee companies at a price below fair value thereof, the difference would be deemed as ordinary income of the investors and taxed accordingly. Further, in case of sale of unquoted shares of the investee companies at a price below fair value thereof, the fair value will be deemed as the minimum sale consideration for the purpose of computing capital gains tax and the investors will be taxed accordingly.

IV. Gains arising on buy-back of shares by company

As per the Section 10(34A) of the IT Act, gains arising on buy-back of shares (not being shares listed on a recognized stock exchange) are exempt in the hands of investors. However, as per section 115QA of the IT Act, a distribution tax at the rate of 20% is payable by an Indian company on distribution of income by way of buy-back of its shares if the buyback is in accordance with the provisions of the Companies Act, 2013. Such distribution tax should be payable on the difference between consideration paid by such Indian company for the purchase of its own shares and the amount that was received by the Indian investee company at the time of issue of such shares, determined in the manner prescribed.

Gains arising on buy-back of shares listed on a recognized stock exchange should be taxed in the manner summarized above (for listed shares)

V. Tax Treaty Benefits for non-resident investors

As per Section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent theyare more beneficial than the provisions of the Double Taxation Avoidance Agreement ("Treaty") between India and the country of residence of the non-resident investor (subject to GAAR provisions discussed below and to the extent of availability of Treaty benefits to the non- resident investors). However, no assurance can be provided that the Treaty benefits will be available to the non-resident investor, or the terms of the Treaty will not be subject to amendment or reinterpretation in the future.

The taxability of such income of the non-resident investor, in the absence of Treaty benefits or from a country with which India has no Treaty, would be as per the provisions of the IT Act.

VI. Tax Residency Certificate ("TRC")

In order to claim Treaty benefits, the non-resident investor has to obtain the TRC as issued by the foreign tax authorities. Further, the non-resident investor shall be required to furnish such other information or document as may be prescribed. In this connection, the CBDT vide its notification dated August 1, 2013 has prescribed certain information in Form No. 10F to be produced along with the TRC, if the same does not form part of the TRC.

The tax authorities may grant Treaty benefit (after verifying the TRC) based on the facts of each case.

VII. Securities Transaction Tax

Delivery based purchases and sales of equity shares traded on recognized Indian stock exchanges are subject to STT at the rate of 0.1% on the transaction value of purchase or sale and delivery- based sale of units of equity-oriented funds are subject to STT at the rate of 0.001% on the transaction value of purchaser or sale. Further, STT @ 0.2% on the transaction value is also leviable on sale of unlisted equity shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a stock exchange. STT is levied on the seller @ 0.025% on the sale of equity share in a company or unit of an equity oriented mutual fund - transaction in a recognised stock exchange, settled otherwise than by actual delivery.

VIII. Withholding at a Higher Rate

The income tax provisions provide that where a recipient of income (which is subject to withholding tax) does not have a Permanent Account Number ("PAN"), then tax is required to be deducted by the payer at higher of the following i.e. rates specified in relevant provisions of the IT Act, or rates in force or at 20%. However, this provision of the IT Act shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset to a non-resident, subject to furnishing of certain details and documents. As per Rule 37BC of the ITR, the following details and documents are prescribed:

1. Name, e-mail id, contact number;
2. Address in the country or specified territory outside India of which the deductee is a resident;
3. TRC; and
4. Tax identification number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

IX. Minimum Alternate Tax

As per the IT Act, if the income-tax payable on total income by any company is less than 15% of its book profits (subject to prescribed adjustments), the company will be required to pay MATat the rate of 15% of such book profits.

The MAT provisions are not applicable to a foreign company if, (a) it is a resident of a country with which India has a tax treaty and it does not have a permanent establishment ("PE") inIndia;

Or (b) it is a resident of a country with which India does not have a tax treaty and is not required to seek registration under the Indian corporate law. Further, income of a foreign company which is in the nature of inter alia capital gains arising on transfer of securities and interest, is expressly excluded from the purview of MAT provisions.

X. Carry-forward of losses and other provisions (applicable to both equity products irrespective of the residential status):

In terms of Section 70 read with Section 74 of the IT Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

THERE CAN BE NO GUARANTEE THAT THE ABOVE POSITION REGARDING TAXATION WOULD BE NECESSARILY ACCEPTED BY THE INDIAN TAX AUTHORITIES UNDER THE ITA. NO REPRESENTATIONIS MADE EITHER BY THE PORTFOLIO MANAGER OR ANY EMPLOYEE, DIRECTOR, SHAREHOLDER OR AGENT OF THE MANAGER IN REGARD TO THE ACCEPTABILITY OR OTHERWISE OF THE ABOVE POSITION REGARDING TAXATION BY THE INDIAN TAX AUTHORITIES UNDER THE ITA. INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS IN THIS REGARD.

13. ACCOUNTING POLICY

The following accounting policy will be applied for the portfolio investments of Clients:

i. Investments in listed equity and liquid debt instruments will be valued at the closing market price on the National Stock Exchange **("NSE")** as of the previous day from the date of receipt of Security under custody. If the Securities are not traded on the NSE on the Valuation Day, the closing price of the Security on the Bombay Stock Exchange will be used for valuation of Securities. In case of the Securities that are not traded on the Valuation Day, the last available traded price shall be used for the valuation

of Securities. Investments in units of mutual funds shall be valued at the repurchase price of the previous day or at the last available repurchase price declared for the relevant scheme of the mutual fund on the date of the report.

ii. Investments in relatively less liquid debt instruments will be valued at amortized cost.

iii. Unlisted Securities/investments will be valued at cost till the same are priced at the fair market value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (once in a year).

iv. Realised gains/losses will be calculated by applying the 'First In First Out' principle.

v. Unrealized gains/losses are the differences, between the current market value/PV/ amortized cost and the historical cost of the Securities.

vi. Dividends on shares will be accounted on ex-dividend date and dividends on units in mutual funds will be accounted on receipt of information from the mutual fund house and interest, stock lending fees earned etc., will be accounted on accrual basis. The interest on debtinstruments will be accounted on accrual basis.

vii. Dividends accrued where credited to the Client's bank account linked to the respective demat account and where the Portfolio Manager does not hold the power of attorney to operate the Client bank account will be shown as corpus outward. In all other cases, dividend accrued and received shall continue to be part of the Corpus.

viii. Tax deducted at source on interest on instruments will be considered as withdrawal of corpus and debited accordingly from the portfolio.

ix. In respect of all interest-bearing investments, income must be accrued on a day-to-day basis asit is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase will not be treated as a cost of purchasebut will be credited to Interest to be adjusted against the receipt.

x. For derivatives and futures and options, unrealized gains and losses is calculated by marking to market the open positions.

xi. Interest received at the time of sale for the period from the last interest due date up to thedate of sale will not be treated as an addition to sale value but will be credited to the interest receivable account.

xii. Transactions for purchase or sale of investments will be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a Financial Yearare recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which there is in enforceable obligation to pay the price or, in the event of a sale, when there is an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

xiii. Bonus shares will be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlementswill be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

xiv. The cost of investments acquired or purchased will include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered will be reduced from the cost of the investment.

xv. The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case-to- case basis.

xvi. Purchases are accounted at the cost of acquisition inclusive of brokerage, stamp duty, transaction charges and entry load in case of units of mutual fund. Sales are accounted based onproceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities

transaction tax, demat charges and custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian.

xvii. In case of Portfolio products, Portfolio received from the Clients in the form of Securities will be accounted at previous working day's closing price on NSE. Where the Client withdraws Portfolio in the form of Securities, the same will be accounted on the date of withdrawal at the previous working day's closing price. In case any of the Securities are not listed on NSE or they are not traded on NSE on a particular day, closing price on BSE will be used for aforesaid accounting purpose.

xviii. All income will be accounted on accrual or receipt basis, whichever is earlier. All expenses except management fee will be accounted on due or payment basis, whichever is earlier. Management fee will be accounted for on accrual basis.

The Investor may contact the Investor services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues. The Portfolio Manager may change the valuation policy for any particular type of Security consequent to any regulatory changes or the market practice followed for similar type of Securities.

14. PREVENTION OF MONEY LAUNDERING & KNOW YOUR CUSTOMER (KYC)REQUIREMENTS

SEBI has mandated that all registered intermediaries to formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' ("**KYC**") norms as per the Applicable Law.

Accordingly, the Investors should ensure that the amount invested by them is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of Applicable Law, including the provisions of Income Tax Act 1961, Prevention of MoneyLaundering Act 2002, Anti-Corruption Act and or any other Applicable Laws enacted by the Government of India from time to time. The Portfolio Manager is committed to complying with all applicable anti money laundering laws and regulations in all of its operations.

Accordingly, the Portfolio Manager reserves the right to reject or refund or freeze the accountof the Client if the Client does not comply with the internal policies of the Portfolio Manager or any of the Applicable Laws including the KYC requirements. Further, the Portfolio Manager has put in place Client due diligence measures including screening procedures whereby names of theInvestors will be screened against such database considered appropriate by the Portfolio Manager. Further, the Portfolio Manager shall take necessary action including rejection of application / refund of application money / freezing of investor account for future transactions/submitting suspicious transactions report ("STR") to law enforcement authorities if the Portfolio Manager has reasonable grounds to believe/ suspect that the transactions involve money laundering or terrorist financing or proceeds of crime.

The Portfolio Manager shall not be held liable in any manner for any claims arising whatsoever on account of freezing the account / rejection or refund of the application etc due to non- compliance with the provisions of any of the aforesaid Regulations or Applicable Laws.

KYC is mandatory for all investors and registered intermediaries are required to upload the KYC data with Central KYC Records Registry ("CKYCR"). Each investor has to undergo a uniform KYC process only once in the Securities market and the details would be shared with other intermediaries by the KYC registration agencies("KRA") and the CKYCR. Applications shall be liable to be rejected if the investors do not comply with the aforesaid KYC requirements.

Parameters of risk perception in terms of the nature of business activity, location of Client, mode of payments, volume of turnover, social and financial status etc. enables categorisation ofcustomers into low, medium, and high categories.

Clients requiring very high level of monitoring, e.g. Politically Exposed Persons ("PEPs") may, be categorised even higher; and hence the documentation requirements and other information tobe collected in respect of such categories of Clients depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank fromtime to time. Additional KYC requirements will be applicable for such Clients.

15. CLIENT/ INVESTOR SERVICES

(i) Onboarding:

Clients can be on-boarded directly without intermediation of persons engaged in distribution services.

(ii) Investor Relations Officer:

Name, address, and telephone number of the investor relations officer who shall attend to the investor queries and complaints:

Name	Niren Mulchand Vora
Designation	Compliance Officer
Email id	mailto:compliance@klaygroup.com
Address	1402, ONE BKC, B-Wing, G - Block, Bandra Kurla Complex, Mumbai - 400051, Maharashtra, India
Telephone no.	+91 022 6910 6000/040/041

The official mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is vested with the necessary authority, independence, and wherewithal to handle investor complaints.

(iii) Grievance Redressal and Dispute Settlement Mechanism:

The Portfolio Manager has in place a dedicated system for addressing all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the Investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the Investor and the Portfolio Manager shall abide by the following mechanisms.

Communication Details of Officer for Client Complaints and Queries:

Name, address, and telephone number of the investor relations officer who shall attend to the investor queries and complaints:

Name	Niren Mulchand Vora
Designation	Compliance Officer
Email id	mailto:compliance@klaygroup.com
Address	1402, ONE BKC, B-Wing, G - Block, Bandra Kurla Complex, Mumbai - 400051,Maharashtra, India
Telephone no.	+91 022 6910 6000/040/041

The aforesaid personnel of the Portfolio Manager shall attend to and address any Client query or concern within 30 days as required by SEBI. The above details are also available on the website *viz.* www.klaygroup.com.

Grievance and Settlement Mechanism through SEBI Complaints Redressal System Platform (SCORES):

Further in case the resolution provided by the Portfolio Manager is not satisfactory, the matter may be referred to SEBI through the SEBI Complaints Redress System platform (“**SCORES**”). On receipt of complaints through SCORES, SEBI takes up the matter with the concerned market intermediary and follows up with them.

A compliant shall be treated as resolved/ disposed / closed only when SEBI disposes/ closes the complaint in SCORES. Hence mere filing of Action Taken Report (“**ATR**”) with respect to the complaint will not mean that the complaint is not pending against them.

Failure by the Portfolio Manager to file ATR under SCORES within 30 days of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.

All disputes, differences, claims, and questions whatsoever will in the first place be tried to be settled my mutual discussions. In the event of failure of settlement through mutual discussions between the Client and Portfolio Manager, all disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/ or their respective representatives shall be settled in accordance with and subject to the provisions of the Arbitration and Conciliation Act 1996, or any statutory requirement, modification or re-enactment thereof, or in accordance with such other manner as may be specified in the agreement between the Client and the Portfolio Manager. Such arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit.

16. GENERAL

The Portfolio Manager and the Client can mutually agree to be bound by specific terms through a written two-way agreement between themselves in addition to the standard agreement.

NAME OF DIRECTOR	SIGNATURE
Ian D’Souza	Ian Luis Xavier Dsouza Digitally signed by Ian Luis Xavier Dsouza Date: 2024.03.15 10:38:11 +05'30'
Niren Mulchand Vora	Niren Mulchand Vora Digitally signed by Niren Mulchand Vora Date: 2024.03.15 10:38:45 +05'30'

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2020 (Regulation 22)

KLAY SECURITIES PRIVATE LIMITED
Registered office address: 1402, One BKC, B Wing,
G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051

We confirm that:

I. The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time.

II. The disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us/ investment in the portfolio management services

iii. The disclosure document has been duly certified by an independent chartered accountant viz: Mr. Kamlesh P Mehta (Membership no. 045573) of Kamlesh P Mehta Associates, Chartered Accountants ICAI firm registration no. 120063W, 606, Aura Biplex, S.V Road, Above Kalyan Jewellers, Borivali West, Mumbai, Maharashtra – 400067.

Enclosed is copy of the Chartered accountants certificate to that effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well-informed decision.

For Klay Securities Private Limited

Ian Luis Xavier Dsouza
Digitally signed by Ian Luis Xavier Dsouza
Date: 2024.03.15 10:40:15 +05'30'

Sd/-

Principal Officer'
Name: Ian Dsouza
Email: ian@klaygroup.com
Phone No: +91 9769643444

Date: 15th March 2024

Place: Mumbai

Kamlesh P. Mehta Associates
Chartered Accountants

Office No. 606, 6th Floor, Aura Biplex Senate, S. V. Road, Above Kalyan Jewellers, Borivali(W), Mumbai - 400 092.
Cell : 98198 39188. Tel. :- 022 - 2862 9188 , 2862 9189. E Mail : kamleshmehtaca@gmail.com, Website : www.kamleshpmehta.com

CERTIFICATE

We have been requested by **M/s Klay Securities Private Limited** (the "Portfolio Manager") having its registered office at B-1402, ONE BKC, G-Block, Bandra Kurla Complex, Mumbai – 400051, Maharashtra, India a SEBI registered Portfolio Manager (Reg no. INP000006280), to certify the contents and information provided in the Disclosure Document required to be filed with Securities and Exchange Board of India (SEBI) as per Regulation 22(5) of SEBI (Portfolio Managers) Regulations, 2020.

We have verified Disclosure Document and the details with the respective documents, system generated reports provided by the management of the Portfolio Manager and have relied on various representations made to us by the management wherever necessary.

Based on our verification of the records and the information and explanations given to us, we hereby certify that the contents and information provided in the Disclosure Document dated **15th March, 2024** and annexed hereto are true, fair and adequate to enable the investors to make a well-informed decision.

We further certify that the Disclosure Document complies with the requirement specified in Schedule V of Regulation 22 of the Securities and Exchange Board (Portfolio Managers) Regulations, 2020.

We have relied on the representation given by the management about the penalties or litigation against the Portfolio Manager mentioned in the disclosure document. We are unable to comment on the same.

The certificate has been issued solely for complying with the requirements of SEBI (Portfolio Managers) Regulations, 2020 for the sole purpose of certifying the contents of the Disclosure Document for Portfolio Management and should not be used or referred to for any other purpose without our prior written consent.

For Kamlesh P. Mehta Associates
Chartered Accountants
Firm Registration No: 120063W

KAMLESH
PRANLAL
MEHTA

Digitally signed by KAMLESH PRANLAL MEHTA
DN: c=IN, o=PERSONAL,
pseudonym=512fb71cda1f45a1924a984dd8c6ab96,
2.5.4.20=c1048b5c70d773598c1bac2ffbd620e243072032800bbd8929defcf3f401d5f8,
postalCode=400067, st=Maharashtra,
serialNumber=b044c5b0bd869da6a216962670594d91ca9b5ad34b36f8e11457a4db686dc2e8,
cn=KAMLESH PRANLAL MEHTA
Date: 2024.03.15 11:59:51 +05'30'

Kamlesh P Mehta
Proprietor
Membership No.:045573
UDIN No: 24045573BJZXKP9175
Date: 15th March, 2024.
Place: Mumbai