

## SCHEME INFORMATION DOCUMENT

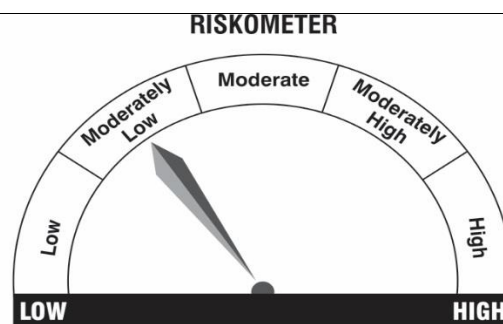
### Principal Arbitrage Fund

(An Open Ended Equity Scheme)

Offer of Units of Rs. 10/- each for cash during the New Fund Offer and  
Continuous offer for Units at NAV based prices.

**This product is suitable for investors who are seeking\*:**

- Income over short-term
- Income through arbitrage opportunities between cash and derivative market and arbitrage opportunities within the derivative segment.



Investors understand that their principal will be at moderately low risk

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

**New Fund Offer Opens on: March 28, 2016**

**New Fund Offer Closes on: April 11, 2016**

**Scheme re-opens on: April 25, 2016**

<b>Name of Mutual Fund</b>	Principal Mutual Fund
<b>Name of Asset Management Company</b>	Principal Pnb Asset Management Company Private Limited
<b>Name of Trustee Company</b>	Principal Trustee Company Private Limited

**Address, Website of the Entities:**

<b>Principal Mutual Fund</b>	<b>Address:</b> Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Website:</b> <a href="http://www.principalindia.com">www.principalindia.com</a> <b>Email:</b> <a href="mailto:customer@principalindia.com">customer@principalindia.com</a> <b>Toll Free No.:</b> 1800 425 5600 <b>Fax No. –</b> (022) 67720512
<b>Principal Pnb Asset Management Company Private Limited</b>	
<b>Principal Trustee Company Private Limited</b>	

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from Principal Pnb Asset Management Company Pvt. Ltd.

**The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

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

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

**SAI is incorporated by reference and is legally a part of the Scheme Information Document. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website. The Scheme Information Document should be read in conjunction with the SAI and not in isolation.**

This Scheme Information Document is dated March 14, 2016.

## Table of Contents

PARTICULARS	PAGE NO
<b>SECTION I – HIGHLIGHTS/ SUMMARY OF SCHEME</b>	4
<b>SECTION II – INTRODUCTION</b>	
A. RISK FACTORS	8
B. REQUIREMENT OF MINIMUM NUMBER OF INVESTORS IN THE SCHEME	18
C. SPECIAL CONSIDERATIONS	19
D. DEFINITIONS / ABBREVIATIONS	22
E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY	26
<b>SECTION III – INFORMATION ABOUT THE SCHEME</b>	
A. TYPE OF THE SCHEME	27
B. WHAT IS THE INVESTMENT OBJECTIVES OF THE SCHEME?	27
C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?	27
D. WHERE WILL THE SCHEME INVEST?	30
E. WHAT ARE THE INVESTMENT STRATEGIES?	30
F. FUNDAMENTAL ATTRIBUTES	34
G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?	35
H. WHO MANAGES THE SCHEME?	35
I. PRODUCT DIFFERENTIATION	35
J. WHAT ARE THE INVESTMENT RESTRICTIONS?	42
K. HOW HAS THE SCHEME PERFORMED?	44
L. INVESTMENT BY AMC	44
<b>SECTION IV- UNITS AND OFFER</b>	
A. NEW FUND OFFER	45
B. ONGOING OFFER DETAILS	67
C. PERIODIC DISCLOSURES	78
D. COMPUTATION OF NAV	80
<b>SECTION V- FEES AND EXPENSES</b>	
A. NEW FUND OFFER (NFO) EXPENSES	81
B. ANNUAL RECURRING EXPENSES	81
C. LOAD STRUCTURE & TRANSACTION CHARGES	83
<b>SECTION VI- RIGHT OF UNITHOLDERS</b>	86
<b>SECTION VII- PENALTIES, PENDING LITIGATION OR PROCEEDINGS</b>	86

## SECTION I: HIGHLIGHTS/SUMMARY OF THE SCHEME

Investment Objective	<p>The investment objective of the Scheme is to generate capital appreciation and income by predominantly investing in arbitrage opportunities in the cash and derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments.</p> <p>There is no assurance or guarantee that the investment objective of the Scheme will be realized.</p>
Investment Strategy	<p>The Scheme will endeavor to invest predominantly in arbitrage opportunities between spot and futures prices of exchange traded equities. In absence of profitable arbitrage opportunities available in the market, the scheme may predominantly invest in short-term debt and money market securities. The fund manager will evaluate the difference between the price of a stock in the futures market and in the spot market. If the price of a stock in the futures market is higher than in the spot market, after adjusting for costs and taxes the scheme shall buy the stock in the spot market and sell the same stock in equal quantity in the futures market, simultaneously. For example, on December 4, 2014, the scheme buys a share of XYZ Company on spot @ Rs. 1000 and at the same time sells XYZ Company futures for December 2014 expiry @ Rs. 1020. The Scheme thus enters into a fully hedged transaction by selling the equity position in the futures market for expiry on say December 25, 2014. If the scheme holds this position till expiry of the futures, the scheme earns profit of Rs. 20 on the date of expiry before accounting for trading costs and taxes.</p> <p>In case the scheme has to unwind the transaction prior to the expiry date on account of redemption pressures or any other reason, the returns would be a function of the spread at which the transaction is unwound. For example, if spot is sold at Rs. 980 and the futures are bought at Rs. 1010 then there would be negative returns on the trade. If the spot is sold at Rs. 1020 and the futures are bought at Rs. 1015 then there would be positive returns from the trade. On the date of expiry, if the price differential between the spot and futures position of the subsequent month maturity still remains attractive, the scheme may rollover the futures position and hold onto the position in the spot market. In case such an opportunity is not available, the scheme would liquidate the spot position and settle the futures position simultaneously. Rolling over of the futures transaction means unwinding the short position in the futures of the current month and simultaneously shorting futures of the subsequent month maturity while holding onto the spot position. There could also be occasions when both the spot and the future position is unwound before the expiry of the current-month future to increase the base return or to meet redemption. Return enhancement through the use of arbitrage opportunity would depend primarily on the availability of such opportunities. The Scheme will strive to build similar market neutral positions that offer an arbitrage potential for e.g. buying the basket of index constituents in the cash segment and selling the index futures. The Scheme would also look to avail of opportunities between one futures contract and another. For example on 16 December 2014, the scheme buys 1000 futures contracts of ABC Ltd. For December expiry at Rs.3000 each and sells an equivalent 1000 futures contract of ABC Ltd. for January expiry at Rs.3030. Thereby the scheme enters into a fully hedged transaction. Closer to the expiry date of the December contract, the scheme has two options. 1) Unwind the transaction by selling the 1000 December contracts and buying 1000 January contracts of ABC. The returns are a function of the spread between the sale price of the January contract and the buy price of the December contract. If this spread is less than Rs. 30, the returns are positive else the returns are negative. 2) On the expiry date i.e. 30 December, 2014, the scheme would let the December contract expire</p>

	<p>and square off 1000 contracts that it holds for January maturity. The returns would be a function of the spread between settlement price of the December contract and the price at which January contracts are squared-off. If this spread is lower than Rs. 30 then the returns are positive and if it is higher than Rs. 30 the returns are negative. The Scheme can also initiate the transaction in the opposite direction i.e. by selling the December futures and buying the January futures, if it sees a profit potential. Under all circumstances the scheme would keep its net exposures neutral to the underlying direction of the market by maintaining completely hedged positions. In addition to stock specific futures, the scheme can also take offsetting positions in index futures of different calendar month.</p> <p>The debt and money market instruments include any margin money that has to be maintained for the derivative position. The margin money could also be maintained partly as Fixed deposits with Scheduled commercial banks. The Scheme would invest in a range of fixed income and money market instruments including units of Debt/Liquid/Money Market Mutual Fund Schemes. Further the Scheme may also invest in financial derivatives such as options and futures &amp; Interest Rate Swap (IRS) that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.</p>
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on all business days on an ongoing basis. Unitholders can subscribe to and get their units repurchased on all business days at NAV related prices (with exit load as mandated by AMC from time to time).</p> <p>As per SEBI Regulations, the Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% per annum or such other rate as may be prescribed by SEBI from time to time will be paid in case the redemption proceeds are not dispatched within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to dispatch the Redemption proceeds well before 10 Business Days from the acceptance of the duly completed Redemption request.</p>
<b>Benchmark</b>	<p>The Benchmark Index for the Scheme shall be CRISIL Liquid Fund Index</p> <p>The Scheme reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme, subject to SEBI Regulations.</p>
<b>Transparency / Disclosure. NAV</b>	<p>The NAV will be calculated by the AMC for each business day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI). The AMC shall update the NAVs on the website of the Mutual Fund (<a href="http://www.principalindia.com">www.principalindia.com</a>) and on the website of Association of Mutual Funds in India - AMFI (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by the timelines prescribed in this regard by SEBI / AMFI from time to time (currently 9.00 p.m.) every Business Day and shall publish the NAV in two newspapers. In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAVs.</p> <p>The Scheme shall within one month of the close of each half year that is 31st March and 30th September, host its unaudited financial results of the Scheme on its website: <a href="http://www.principalindia.com">www.principalindia.com</a> in a user friendly and downloadable format (preferably in a</p>

	<p>spread sheet). An advertisement intimating the same, shall be published in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated.</p> <p>The Fund shall on a monthly basis disclose portfolio (along with ISIN) as on the last day of the month for all the schemes of Principal Mutual Fund on its website <a href="http://www.principalindia.com">www.principalindia.com</a>, on or before the tenth day of the succeeding month in a user friendly and downloadable format (preferably in a spread sheet).</p> <p>Further, the Fund shall within one month of the close of each half year that is 31<sup>st</sup> March and 30<sup>th</sup> September host full portfolio of the Scheme in the prescribed format in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated.</p>
<p><b>Loads</b> (During NFO as well as ongoing basis) "Entry Load" "Exit Load" or "Redemption Load" (Load on Redemption / Switch out of Units)</p>	<p><b>Entry Load:</b> Not Applicable</p> <p><b>Exit Load:</b> If redeemed on or before 90 days from the date of allotment – 0.25%. If redeemed after 90 days from the date of allotment - NIL</p>
<p><b>Minimum Application Amount</b></p>	<p>Minimum application amount will be Rs.5,000/- for both Dividend and Growth Option and in multiples of Re. 1 thereafter under each Plan/ option</p> <p><b>Systematic Investment Plan:</b> Minimum Six installments of Rs.2,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Transfer Plan:</b> Minimum Six installments of Rs.1,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Withdrawal Plan:</b> Minimum Six installments of Rs.500/- each and in multiples of Re. 1 thereafter</p>
<p><b>Minimum Repurchase/Redemption Amount</b></p>	<p>Rs. 500/- or 50 units or account balance whichever is less.</p>
<p><b>Investment Plans (s) / Option(s)</b></p>	<p>The Scheme will have two Plans<sup>#</sup> i.e. Regular Plan &amp; Direct Plan with a common portfolio and separate NAVs. Investors should indicate the Plan for which the subscription is being made by indicating the choice in the application form.</p> <p>Each of the Plans mentioned above offers Growth and Dividend Option.</p> <p>The Dividend Option under both the Plans will have the facility of Payout, Reinvestment and Sweep.</p> <p><sup>#</sup> Direct Plan is only for investors who purchase /subscribe Units in a Scheme directly with the Fund. This plan is not available for investors who wish to purchase/ subscribe units through a Distributor – such investors have to subscribe for Regular Plan.</p> <p>Regular Plan and Direct Plan have the same features (i.e. Investment Objective, Asset Allocation Pattern, Investment Strategy, Risk factors) and Facilities offered including terms and conditions except that Direct Plan shall have a lower expense ratio excluding</p>

distribution expenses, commission, etc and no commission for distribution of Units will be paid / charged under Direct Plan.

## Asset Allocation Pattern

The indicative asset allocation will be as under:

<b>Instruments</b>	<b>Minimum (%)</b>	<b>Maximum (%)</b>	<b>Risk Profile</b>
Equity and equity related instruments	65	90	Medium to High
Equity derivatives	65	90	Medium to High
Debt securities and Money Market Instruments# (including Margin for Derivatives) and Fixed Income Derivatives	10	35	Low

# The Scheme may invest in Treasury Bills, Repos, Reverse Repos & Collateralized Borrowing and Lending Obligations ("CBLO") and units of Debt/Liquid and Money Market Mutual Fund Schemes.

When adequate arbitrage opportunities are not available in the Derivative and Equity markets, the anticipated alternate asset allocation on defensive considerations would be in accordance with the allocation given below. However, in case no arbitrage opportunity is available, then 100% of the remaining investible corpus (excluding margin for derivatives and to the extent not deployed in arbitrage opportunities in the asset allocation pattern mentioned above) will be deployed in short term debt and money market instruments with tenure not exceeding 91 days (including investments in securitized debt). In this scenario also, the allocation in Equities and equity related instruments, Derivatives including index futures, stock futures will continue to be made in arbitrage opportunities only.

<b>Instruments</b>	<b>Minimum (%)</b>	<b>Maximum (%)</b>	<b>Risk Profile</b>
Equity and equity related instruments including Derivatives	0	65	Medium to High
Debt securities and Money Market Instruments# (including Margin for Derivatives) and Fixed Income Derivatives	10	35	Medium to High
Short term Debt and Money market instruments not exceeding tenure of 91 days (including investments in securitized debt)	0	100	Low

# The Scheme may invest in Treasury Bills, Repos, Reverse Repos & Collateralized

	Borrowing and Lending Obligations (“CBLO”) and units of Debt/Liquid and Money Market Mutual Fund Schemes. Investment in Securitised Debt may be up to 30% of the net assets of the Scheme. Subject to the SEBI Regulations, the Mutual Fund may deploy upto 20% of its total net assets of the Scheme in Stock Lending
<b>Fund Manager</b>	Mr. Rajat Jain

## SECTION II. INTRODUCTION

### A. RISK FACTORS

#### *Standard Risk Factors:*

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the Scheme may go up or down. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme can go up or down, depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the Scheme.
- Principal Arbitrage Fund is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme or its future prospects and returns.
- The sponsor or any of its associates including co-settlers are not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of Rs. 25 lakhs made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return scheme

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

The primary objective of the Fund Manager is to identify investment opportunities and to exploit price discrepancies in various markets. Identification and exploitation of the strategies to be pursued by the Fund Manager involve uncertainty. No assurance can be given that Fund Manager will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. Reduction in mis-pricing opportunities between the cash market and Future and Options market may lead to lower level of activity.

As the Scheme proposes to execute arbitrage transactions in various markets simultaneously, this may result in high portfolio turnover and, consequently, high transaction cost. There may be instances, where the price spread between cash and derivative market is insufficient to meet the cost of carry. In such situations, the fund manager due to lack of opportunities in the derivative market may not be able to outperform liquid / money market funds.

Though the constituent stocks of most indices are typically liquid, liquidity differs across stock. Due to heterogeneity in liquidity in the capital market segment, trades on this segment do not get implemented instantly. This often makes arbitrage expensive, risky and difficult to implement.

#### **Risk Associated with Investing in Equities –**

- The value of Scheme’s investments may be affected by factors affecting the Securities markets and price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies if the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the NAV of the units of the Scheme may be affected.



- Equity & Equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme's portfolio may result, at times, in potential losses to the Scheme, should there be a subsequent decline in the value of securities held in the Scheme's portfolio.
- The liquidity and valuation of the Scheme's investments due to the holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.
- The liquidity of the Scheme is inherently restricted by trading volumes in securities in which it invests.
- Investment decisions made by the Investment Manager may not always be profitable.

#### **Risk Associated with Investing in Debt and / or Money Market Instruments**

**Price-Risk or Interest-Rate Risk:** Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

**Credit Risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government Securities, there is no credit risk to that extent.

**Re-investment Risk:** Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**Interest Rate Movement (Basis Risk):** The changes in the prevailing rates of interest will likely affect the value of the Scheme's holdings until the next reset date and thus the value of the Schemes' Units will be affected. Increased rates of interest, which frequently accompany inflation and/ or a growing economy, are likely to have a negative effect on the value of the Units. The value of securities held by the Scheme generally will vary inversely with changes in prevailing interest rates.

**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 favourably leading to fluctuation in NAV.

To the extent the underlying Mutual Fund Scheme invest in Debt / Money Market Instruments, the Schemes shall be affected by the afore mentioned risk factors viz. Price Risk, Interest Rate Risk, Credit Risk, Reinvestment Risk, Interest Rate Movement Risk, Prepayment and Charge Offs Risk, Spread Risk etc. The Net Asset Value (NAV) of the units of the Scheme is likely to get effected on accounts of such risk factors. Any change in the investment policies or fundamental attributes of any underlying scheme is likely to affect the performance of the Scheme. Further, the liquidity of the Scheme's investments may be inherently restricted by the liquidity of the underlying schemes in which it has invested.

## **Risks associated with Investing in Derivatives**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The AMC may use various derivative products, as permitted by SEBI and the RBI from time to time, in an attempt to optimize the value of the portfolio and enhance Unit holder's interest/value of the Scheme. As and when the Scheme trade in the derivatives market, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate in line with underlying assets, rates and indices.

Also, the market for derivative instruments is relatively nascent in India and does not have the volumes which may be seen in other developed markets, which may result in volatility to the values. Derivatives require the maintenance of adequate controls to monitor the transactions and the embedded market risks that a derivative adds to the portfolio. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.

Other risks in using derivatives include but are not limited to:

(a) **Credit Risk** – this occurs when a counterparty defaults on a transaction before settlement and therefore, the Scheme is compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides a guaranteed settlement but one takes the performance risk on the exchange.

(b) **Market Liquidity risk** – this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

(c) **Model Risk** - 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 in the 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.

Trading in derivatives carry a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue.

## **Risks associated with Securities Lending**

It may be noted that Securities Lending activity would have the inherent probability of collateral value drastically falling in times of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and/or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme. Besides, there can also be temporary illiquidity of the securities that are lent out and the Scheme may not be able to sell such lent out securities.

## **Risks associated with investing in Securitised Debt**

### **Securitization: Background, Risk Analysis, Mitigation, Investment Strategy and Other Related Information**

A securitization transaction involves sale of receivables by the originator (a bank, non-banking finance company, housing finance company, or a manufacturing/service company) to a Special Purpose Vehicle (SPV), typically set up in the form of a trust. Investors are issued rated Pass Through Certificates (PTCs), the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling his loan receivables to an SPV, receives consideration from investors much before the maturity of the underlying loans. Investors are paid from the collections of the underlying loans from borrowers. Typically, the transaction is provided with a limited amount of credit enhancement (as stipulated by the rating agency for a target rating), which provides protection to investors against defaults by the underlying borrowers.

The Scheme may invest in domestic securitised debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). Asset Backed Securities (ABS) are securitised debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage Backed Securities (MBS) are securitised debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/ MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

Generally available asset classes for securitization in India are:

- Commercial vehicles
- Auto and two wheeler pools
- Mortgage pools (residential housing loans)
- Personal loan, credit card and other retail loans
- Corporate loans/receivables

The main risks pertaining to each of the asset classes above are described below:

#### **Auto Loans (cars / commercial vehicles /two wheelers)**

The underlying assets (cars, commercial vehicles etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual. Commercial vehicle loans are susceptible to the cyclical nature in the economy. In a downturn in economy, freight rates drop

leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

### **Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

### **Consumer Durable Loans**

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

### **Personal Loans**

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

### **Corporate Loans**

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass Through Certificates (PTCs) in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend of economic cycles.

### **Further, all the above categories of loans have the following common risks:**

All the above loans (except Corporate Loans) are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

In pursuance to SEBI communication dt: August 25, 2010, given below are the requisite details relating to investments in Securitised debt.

#### **1. Risk profile of securitized debt vis-à-vis risk appetite of the scheme**

As securitised debt instruments are relatively illiquid the fund manager would usually buy these with the view to hold them till maturity. Investment in these instruments will help the Scheme in aiming at reasonable returns. These returns come with a certain degree of risk which are covered separately in the Scheme Information Document. Accordingly, the medium risk profile of the securitised debt instruments matches that of the prospective investors of this Scheme and hence can be considered in the fund universe.

#### **2. Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitized debt, etc.**

#### **3. Risk mitigation strategies for investments with each kind of originator**

For a complete understanding of the policy relating to selection of originators, we have first analysed below risks attached to a securitization transaction.

In terms of specific risks attached to securitization, each asset class would have different underlying risks, however, residential mortgages are supposed to be having lower default rates as an asset class. On the other hand, repossession and subsequent recovery of commercial vehicles and other auto assets is fairly easier and better compared to mortgages. Some of the asset classes such as personal loans, credit card receivables etc., being unsecured credits in nature, may witness higher default rates. As regards corporate loans/receivables, depending upon the nature of the underlying security for the loan or the nature of the receivable the risks would correspondingly fluctuate. However, the credit enhancement stipulated by rating agencies for such asset class pools is typically much higher, which helps in making their overall risks comparable to other AAA/AA rated asset classes.

The Scheme may invest in securitized debt assets. These assets would be in the nature of Asset Backed securities (ABS) and Mortgage Backed securities (MBS) with underlying pool of assets and receivables like housing loans, auto loans and single corporate loan originators.

Before entering into any securitization transaction, the risk is assessed based on the information generated from the following sources:

1. Rating provided by the rating agency
2. Assessment by the AMC **Assessment by a Rating Agency**

In its endeavor to assess the fundamental uncertainties in any securitization transaction, a credit rating agency normally takes into consideration following factors:

### **1. Credit Risk**

Credit risk forms a vital element in the analysis of securitization transaction. Adequate credit enhancements to cover defaults, even under stress scenarios, mitigate this risk. This is done by evaluating following risks:

- Asset risk
- Originator risk
- Portfolio risk
- Pool risks

The quality of the pool is a crucial element in assessing credit risk. In the Indian context, generally, pools are „cherry-picked“ using positive selection criteria. To protect the investor from adverse selection of pool contracts, the rating agencies normally take into consideration pool characteristics such as pool seasoning (seasoning represents the number of installments paid by borrower till date: higher seasoning represents better quality), over dues at the time of selection and Loan to Value (LTV). To assess its risk profile vis-à-vis the overall portfolio, the pool is analyzed with regard to geographical location, borrower profile, LTV and tenure.

### **2. Counterparty risk**

There are several counterparties in a securitization transaction, and their performance is crucial. Unlike in the case of credit risks, where the risks emanate from a diversified pool of retail assets, counterparty risks result in either performance or non-performance. The rating agencies generally mitigate such risks through the usage of stringent counterparty selection and replacement criteria to reduce the risk of failure. The risks assessed under this category include:

- Servicer risk
- Co-mingling risk
- Miscellaneous other counterparty risks

### **3. Legal risks**

The rating agency normally conducts a detailed study of the legal documents to ensure that the investors' interest is not compromised and relevant protection and safeguards are built into the transaction.

#### **4. Market risks**

Market risks represent risks not directly related to the transaction, but other market related factors, stated below, which could have an impact on transaction performance, or the value of the investments to the investors.

- Macro-economic risks
- Prepayment risks
- Interest rate risks

#### **Other Risks associated with investment in securitized debt and mitigation measures**

##### **Limited Recourse and Credit Risk**

Certificates issued on investment in securitized debt represent a beneficial interest in the underlying receivables and there is no obligation on the issuer, seller or the originator in that regard. Defaults on the underlying loan can adversely affect the pay outs to the investors (i.e. the Schemes) and thereby, adversely affect the NAV of the Scheme. While it is possible to repossess and sell the underlying asset, various factors can delay or prevent repossession and the price obtained on sale of such assets may be low. Housing Loans, Commercial Vehicle loans, Motor car loans, Two wheeler loans and personal loans will stake up in that order in terms of risk profile.

**Risk Mitigation:** In addition to careful scrutiny of credit profile of borrower/pool additional security in the form of adequate cash collaterals and other securities may be obtained to ensure that they all qualify for similar rating.

##### **Bankruptcy Risk**

If the originator of securitized debt instruments in which the Scheme invests is subject to bankruptcy proceedings and the court in such proceedings concludes that the sale of the assets from originator to the trust was not a 'true sale', and then the Scheme could experience losses or delays in the payments due.

**Risk Mitigation:** Normally, specific care is taken in structuring the securitization transaction so as to minimize the risk of the sale to the trust not being construed as a 'true sale'. It is also in the interest of the originator to demonstrate the transaction as a true sale to get the necessary revenue recognition and tax benefits.

##### **Limited Liquidity and Price risk**

Presently, secondary market for securitized 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 investor 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 the interest rate structure.

**Risk Mitigation:** Securitized debt instruments are relatively illiquid in the secondary market and hence they are generally held to maturity. The liquidity risk and HTM nature is taken into consideration at the time of analyzing the appropriateness of the securitization.

##### **Risks due to possible prepayments: Weighted Tenor / Yield**

Asset securitization is a process whereby commercial or consumer credits are packaged and sold in the form of financial instruments. Full prepayment of underlying loan contract may arise under any of the following circumstances;

- Obligor pays the Receivable due from him at any time prior to the scheduled maturity date of that Receivable; or
- Receivable is required to be repurchased by the Seller consequent to its inability to rectify a material misrepresentation with respect to that Receivable; or
- The Servicer recognizing a contract as a defaulted contract and hence repossessing the underlying Asset and selling the same
- In the event of prepayments, investors may be exposed to changes in tenor and yield.

Risk Mitigation: A certain amount of prepayments is assumed in the calculations at the time of purchase based on historical trends and estimates. Further a stress case estimate is calculated and additional margins are built in.

#### **Bankruptcy of the Investor's Agent**

If Investor's agent becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the recourse of Investor's Agent to the assets/receivables is not in its capacity as agent/Trustee but in its personal capacity, then an Investor could experience losses or delays in the payments due under the swap agreement.

Risk Mitigation: All possible care is normally taken in structuring the transaction and drafting the underlying documents so as to provide that the assets/receivables if and when held by Investor's Agent is held as agent and in Trust for the Investors and shall not form part of the personal assets of Investor's Agent.

#### **Assessment by the AMC**

##### **Mapping of structures based on underlying assets and perceived risk profile**

The scheme will invest in securitized debt originated by Banks, NBFCs and other issuers of investment grade credit quality and established track record. The AMC will evaluate following factors, while investing in securitized debt:

#### **Originator**

##### **Acceptance evaluation parameters (for pool loan and single loan securitization transactions) Track record**

We ensure that there is adequate past track record of the Originator before selection of the pool including a detailed look at the number of issuances in past, track record of issuances, experience of issuance team, etc.

##### **Willingness to pay**

As the securitized structure has underlying collateral structure, depending on the asset class, historical NPA trend and other pool / loan characteristics, a credit enhancement in the form of cash collateral, such as fixed deposit, bank, guarantee etc. is obtained, as a risk mitigation measure.

##### **Ability to pay**

This assessment is based on a strategic framework for credit analysis, which entails a detailed financial risk assessment.

One of the most important factors for assessment is the quality of management based on its past track record and feedback from market participants. In order to assess financial risk a broad assessment of the issuer's financial statements is undertaken to review its ability to undergo stress on cash flows and asset quality.

Business risk assessment, wherein following factors are considered:

- Outlook for the economy (domestic and global)
- Outlook for the industry
- Company specific factors

In addition a detailed review and assessment of rating rationale is done including interactions with the company as well as agency

##### **Critical Evaluation Parameters (for pool loan and single loan securitization transactions)**

Typically we would avoid investing in securitization transaction (without specific risk mitigant strategies / additional cash/security collaterals/ guarantees) if we have concerns on the following issues regarding the originator / underlying issuer:

1. High default track record/ frequent alteration of redemption conditions / covenants

- 2.High leverage ratios – both on a standalone basis as well on a consolidated level/ group level
- 3.Higher proportion of re-schedulement of underlying assets of the pool or loan, as the case may be
- 4.Higher proportion of overdue assets of the pool or the underlying loan, as the case may be
- 5.Poor reputation in market
- 6.Insufficient track record of servicing of the pool or the loan, as the case may be.

#### **Disadvantages of Investments in Single Loan Securitized Debt**

- 1 Liquidity risk: Investments in Single Loan Securitized Debts have relatively less liquidity as compared to investments in NCDs.
- 2 Co-mingling risk: Servicers in a securitization transaction normally deposit all payments received from the obligors into a collection account. However, there could be a time gap between collection by a servicer and depositing the same into the collection account. In this interim period, collections from the loan agreements by the servicer may not be segregated from other funds of the servicer. If the servicer fails to remit such funds due to investors, investors in the Scheme may be exposed to a potential loss.

Table below illustrates the likely characteristics of different kinds of securitization pools:

<b>Characteristics/Type of Pool</b>	<b>Mortgage Loan</b>	<b>Commercial Vehicle and Construction Equipment</b>	<b>CAR</b>	<b>2 wheelers</b>	<b>Micro Finance Pools</b>	<b>Personal Loans</b>
Approximate Average maturity (in Months)	36-120 months	12-60 months	12-60 months	15-48 months	15-80 weeks	5 months - 3 years
Collateral margin (including cash, guarantees, excess interest spread, subordinate tranche)	3-10%	4-12%	4-13%	4-15%	5-15%	5-15%
Average Loan to Value Ratio	75%-95%	80%-98%	75%-95%	70%-95%	Unsecured	Unsecured
Average seasoning of the Pool	3-5 months	3-6 months	3-6 months	3-5 months	2-7 weeks	1-5 months
Maximum single exposure range	4-5%	3-4%	NA (Retail)	NA (Retail Pool)	NA (Very Small)	NA (Retail Pool)
Average single exposure range %	0.5%-3%	0.5%-3%	<1% of the Fund size	<1% of the Fund size	<1% of the Fund size	<1% of the Fund size

#### **Notes:**

1. Retail pools are the loan pools relating to Car, 2 wheeler, micro finance and personal loans, wherein the average loan size is relatively small and spread over large number of borrowers.
2. Information illustrated in the Tables above, is based on the current scenario relating to Securitized Debt market and is subject to change depending upon the change in the related factors.
3. The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments.



Majority of our securitized debt investments shall be in asset backed pools wherein we will have underlying assets as Medium and Heavy Commercial Vehicles, Light Commercial Vehicles (LCV), Cars, and Construction Equipment etc. Where we invest in Single Loan Securitization, as the credit is on the underlying issuer, we focus on the credit review of the borrower. A credit analyst sets up limit for various issuers based on independent research taking into account their historical track record, prevailing rating and current financials.

In addition to the framework as per the table above, we also take into account following factors, which are analyzed to ensure diversification of risk and measures identified for less diversified investments:

- **Size of the loan:** We generally analyze the size of each loan on a sample basis and analyze a static pool of the originator to ensure the same matches the Static pool characteristics. Also indicates whether there is excessive reliance on very small ticket size, which may result in difficult and costly recoveries. To illustrate, the ticket size of housing loans is generally higher than that of personal loans. Hence in the construction of a housing loan asset pool for say Rs.1,00,00,000/- it may be easier to construct a pool with just 10 housing loans of Rs.10,00,000 each rather than to construct a pool of personal loans as the ticket size of personal loans may rarely exceed Rs.5,00,000/- per individual. Also to amplify this illustration further, if one were to construct a pool of Rs.1,00,00,000/- consisting of personal loans of Rs.1,00,000/- each, the larger number of contracts (100 as against one of 10 housing loans of Rs. 10 lakh each) automatically diversifies the risk profile of the pool as compared to a housing loan based asset pool.
- **Average original maturity of the pool:** indicates the original repayment period and whether the loan tenors are in line with industry averages and borrower's repayment capacity. To illustrate, in a car pool consisting of 60-month contracts, the original maturity and the residual maturity of the pool viz. number of remaining installments to be paid gives a better idea of the risk of default of the pool itself. If in a pool of 100 car loans having original maturity of 60 months, if more than 70% of the contracts have paid more than 50% of the installments and if no default has been observed in such contracts, this is a far superior portfolio than a similar car loan pool where 80% of the contracts have not even crossed 5 installments.
- **Default rate distribution:** We generally ensure that all the contracts in the pools are current to ensure zero default rate distribution. Indicates how much % of the pool and overall portfolio of the originator is current, how much is in 0-30 DPD (days past due), 30-60 DPD, 60-90 DPD and so on. The rationale here being, as against 0-30 DPD, the 60-90 DPD is certainly a higher risk category.
- **Geographical Distribution:** Regional/state/ branch distribution is preferred to avoid concentration of assets in a particular region/state/branch.
- **Risk Tranching:** Typically, we would avoid investing in mezzanine debt or equity of Securitized debt in the form of sub ordinate tranche, without specific risk mitigant strategies / additional cash / security collaterals/ guarantees, etc.

4.& 5. Minimum retention period of the debt by originator prior to securitization and minimum retention percentage by originator of debts to be securitized

Refer the Table in earlier paragraphs, which illustrates the average seasoning of the debt by the originator prior to securitization. Further, also refer the same Table, which illustrates additional collaterals taken against each type of asset class, which is preferred over the minimum retention percentage by the originator of the loan.

6. The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the fund

Investments made by the scheme in any asset are done based on the requirements of the scheme and is in accordance with the investment policy. All Investments are made entirely at an arm's length basis with no consideration of any existing / consequent investments by any party related to the transaction (originator, issuer, borrower etc.). Investments made in Securitized debt are made as per the Investment pattern of the Scheme and are done after detailed analysis of the underlying asset. There might be instances of Originator investing in the same scheme but both the transactions are at arm's length and avoid any conflict of interest. In addition to internal controls in the fixed income investment process, there is regular monitoring by the compliance team, risk management group, and internal review teams. Normally the issuer who is securitizing instrument is in need of money and is unlikely to have long term surplus to invest in mutual fund scheme.

7. In general, the resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt

The risk assessment process for securitized debt, as detailed in the preceding paragraphs, is same as any other credit. The investments in securitized debt are done after appropriate research by credit analyst. The ratings are monitored for any movement. Monthly Pool Performance MIS is received from the trustee and is analyzed for any variation. The entire securitized portfolio is published in the fact sheet and disclosed in the web site for public consumption with details of underlying exposure and originator.

Note: The information contained herein is based on current market conditions and may change from time to time based on changes in such conditions, regulatory changes and other relevant factors. Accordingly, our investment strategy, risk mitigation measures and other information contained herein may change in response to the same.

**Credit Rating of the Transaction/Certificate**

The credit rating is not a recommendation to purchase, hold or sell the Certificate in as much as the ratings do not comment on the market price of the Certificate or its suitability to a particular investor. There is no assurance by the rating agency either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency.

**RISK CONTROL**

Since investing requires disciplined risk management, the AMC has incorporated adequate safeguards for controlling risks in the portfolio construction process. The risk control process involves reducing risks through portfolio diversification, taking care however not to dilute returns in the process. The AMC believes that this diversification would help achieve the desired level of consistency in returns. The AMC may also implement certain internal control procedures / risk & exposure limits etc., which may be varied from time to time.

The AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. With the aim of controlling risks, rigorous in-depth credit evaluation of the securities proposed to be invested in, will be carried out by the investment team of the AMC.

The Scheme may also use various derivatives and hedging products from time to time, as would be available and permitted by SEBI/RBI, in an attempt to protect the value of the portfolio and enhance Unitholders' interest.

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**B. REQUIREMENT OF MINIMUM NUMBER OF INVESTORS**

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The Scheme shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme. However, if such limit is breached during the NFO of the Scheme, the Fund will endeavour to ensure that

within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days' notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

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### **C. SPECIAL CONSIDERATIONS, IF ANY**

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Mutual funds carry normal market risks and there can be no assurance and no guarantee that the Scheme will achieve its objective. It is recommended that an investment in the Scheme should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the AMC will not always be profitable or prove to be correct. As with any investment in stocks and securities, the NAV of the Units under the Scheme can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the schemes of Principal Mutual Fund, the Sponsor or its Group affiliates is not indicative of and does not guarantee the future performance of the Scheme. The name of the Scheme does not in any manner indicate the quality of the Scheme, its future prospects or the returns. Units may trade at a premium/discount to the Scheme's NAV. The Scheme is not intended as a complete investment program. Investors, therefore, are urged to study the terms of this offer carefully and consult their Investment Advisor before they invest in the Scheme. Investors'/unitholders' attention is drawn to the risk factors set out in the beginning of this Scheme Information Document and also to the following specific risks:

**Regulatory Risks:** Neither this SID nor the Units have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this SID are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this Scheme Information Document or any accompanying application form in such jurisdiction may treat this SID or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Scheme Information Document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Scheme Information Document and any persons wishing to apply for Units pursuant to this Scheme Information Document to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

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

No person has been authorized to give any information or to make any representations not confirmed in this SID in connection with the Offer of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustee. Statements made in this SID are based on the law and practice currently in force in India and are subject to change therein. Neither the delivery of this SID nor any sale made hereunder shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

**Performance Risk:** The value of (and income from) an investment in the Scheme can decrease as well as increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the investment composition indicated for the Scheme, in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the scheme's investment objective will be attained nor will the Scheme be in a position to maintain the model percentage of investment pattern/composition particularly under exceptional circumstances such that the interest of the unitholders are protected.

Changes in the prevailing rates of interest are likely to affect the value of the scheme investments and thus the value of the scheme's units. The value of money market/debt instruments held by the scheme generally will vary inversely with the changes in prevailing interest rates. The AMC, while investing in fixed-income instruments like debt, etc., shall consider and evaluate the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk). While it is the intent of the AMC to invest primarily in more highly rated debt securities and highly researched growth companies, the scheme may from time to time invest in high yielding/growth, lower rated and/or privately placed/unlisted/securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than highly rated securities. The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, deferred interest bonds.

**Techniques Risk:** The Scheme may use techniques and instruments that may be permitted and/or that may become permissible under SEBI/RBI Regulations and/or Regulations and/or statutory modification or re-enactment thereof for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuation. However, these techniques and instruments, if imperfectly used have the risk of the scheme incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. There exists an imperfect correlation between the hedging instruments and the securities or market sectors being hedged. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's/Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organized stock exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase/redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

**Political Risk:** Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. It is possible that future changes in the Indian political situation, including political, social, or economic instability, diplomatic developments and changes in laws or regulations could have an effect on the value of investments. Expropriation, confiscatory taxation, or other relevant developments could also affect the value of investments.

**Liquidity and Settlement Risks:** The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme will invest in certain securities of certain companies, industries, sectors etc. based on certain investment parameters as adopted internally by AMC. While at all times the Trustees and the AMC will endeavor that excessive holding/investment in certain securities of industries, sectors, etc. by the Scheme be avoided, the assets invested by the Scheme in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a

risk associated with non-diversification and thus could affect the value of investments. The Scheme may have difficulty in disposing of certain securities because the security may be unlisted, due to greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of stock certificates is labour and paper intensive and may affect the liquidity. It should be noted that the Fund bears the risk of purchasing fraudulent or tainted papers. The secondary market for money market securities does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of the issuer, etc. or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar, any Associate, any distributor, dealer, any company, corporate body, trust, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme. While at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme among a few unit holders is avoided, however, the amounts invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unit holder in the Scheme. Accordingly, redemption of Units held by such persons may have an adverse impact on the value of the redemption and may impact the ability of the unit holders to redeem their respective Units.

## **D. DEFINITIONS/ABBREVIATIONS**

**AMC/Asset Management Company/Investment Manager/Principal:** Principal Pnb Asset Management Company Private Limited.

**Applicable NAV:**

The NAV applicable for subscription / redemption / switch in /switch out based on the time of the business day on which the application is accepted.

**Business Day:** A day other than:

- (i) Saturday and Sunday,
- (ii) a day on which the Banks in Mumbai and/or RBI are closed for business/clearing,
- (iii) a day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed,
- (iv) a day which is a public and/or bank holiday at an Investor Service Centre where the application is received,
- (v) a day on which sale and repurchase of units is suspended by the AMC,
- (vi) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.

The AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres.

**Calendar Year / Year:** A Calendar Year shall be full English Calendar months viz. 12 months commencing from 1st January and ending on 31<sup>st</sup> December.

**CBLO:** Collateralized Borrowing and Lending Obligations is a Money Market Instruments approved by RBI, (developed by Clearing Corporation of India Limited). CBLO is a discounted instrument issued in an electronic book entry form for maturity ranging from one day to one year.

**Co-Settlers:** Punjab National Bank is a co-settlor to the Principal Mutual Fund (Principal Financial Services Inc. through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited being the Settlor).

**Credit Risk:** Risk of default in payment of principal or interest or both.

**Custodian:** An entity (for the time being Citi Bank NA) appointed for holding the securities and other assets of the Fund.

**Central Depository Services (India) Limited (CDSL)/ National Securities Depository Limited (NSDL):** A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.

**Day :** Any day (including Saturday, Sunday and holiday) as per English Calendar viz 365 days in a year.

**Debt Instruments :** Government securities including Treasury Bills, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations and other possible similar securities.

**Dematerialisation:** It is a process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investors account with its Depository Participant.

**Depository:** Depository as defined in the Depository Act, 1996 (22 of 1996).

**Depository Participant:** A person registered as participant under sub section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 and who acts like an intermediary between the Depository and the investors to offer depository related services.

**Dividend:** Income distributed by the Mutual Fund on the units.

**Entry Load:** Load, if any, on sale/switch in of units.

**Exit Load:** Load on repurchase/switch out of units.

**Equity related instruments:** Equity related instruments include convertible debentures, bonds, warrants equity derivatives and other like instruments.

**FII(s) :** Foreign Institutional Investor(s), registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995.

**Financial Year :** A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

**Fund/Mutual Fund :** Principal Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882 and registered with SEBI bearing Registration No. MF/019/94/0 dated December 13, 1994.

**GOI :** Government of India.

**Group:** As defined in clause (ef) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

**Investment Management Agreement/IMA:** Investment Management Agreement dated 25/11/94 as amended from time to time, between the Trustee and AMC.

**ISC:** Offices of AMC and such other centres / offices as may be designated by the AMC from time to time as its Investor Service Centre. It shall also include the Official Points of Acceptance as mentioned on the last /back cover page of this SID.

**Load:** A sum of money deducted from the value received or paid to the unitholder towards Sale/Repurchase of units.

**Market Price:** Price which could be at premium /discount to the NAV depending upon the demand and supply of units.

**Money Market Instruments:** Includes Commercial Papers, Commercial Bills, Treasury Bills, Government securities having an unexpired maturity up to one year Call or Notice Money, Certificate of Deposit, Usance Bill and any other like instrument as specified by RBI from time to time.

**NAV:** Net Asset Value of the units of the Scheme (and Plans / Options therein) calculated in the manner provided in this Scheme Information Document by dividing the net assets by the number of outstanding units (on any valuation day) or as may be prescribed by the SEBI Regulations from time to time. The NAV will be computed upto four decimal places.

**Net Assets :** Net Assets of the Scheme at any time shall be the total value of the Schemes' assets, less its liabilities taking into consideration the accruals and the provision.

**NFO:** New Fund Offer

**Non-Resident/NRI:** Non-resident is any person who is not a resident in India.

**NSE:** National Stock Exchange.

**Overseas Corporate Bodies (OCB) :** Overseas Corporate Bodies, partnership firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by non-resident individuals of Indian nationality or origin, as also an overseas trust in which at least 60% of the beneficial interest is irrevocably held by such persons.

**Official Points of Acceptance:** Offices as specified by AMC from time to time where application for subscription / redemption / switch will be accepted on an ongoing basis.

**Person of Indian Origin:** A person (not being a citizen of Pakistan or Bangladesh) shall be deemed to be of Indian origin, if: -

- (i) He (She), at any time, held an Indian Passport;
- (ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
- (iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh).

**Permissible Investments or Investments :** Collective or group investments made on account of the unitholders of the scheme(s) in Securities and other assets in accordance with the SEBI/RBI Regulations and amendments thereto.

**Portfolio:** Portfolio at any time shall include all Permissible Investments and Cash.

**RBI:** Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.

**Registrars/Registrar and Transfer Agent :** Registrar for the time being of the Mutual Fund which, at present, is Karvy Computershare Pvt. Ltd., or such agency appointed by the AMC.

**Regulations :** Regulations imply SEBI Regulations and the relevant rules and provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996; Public Debt Act, 1944; The Income Tax Act, 1961; Wealth Tax Act, 1957, the Foreign Exchange Management Act, 1999, the Indian Trusts Act, 1882 as amended from time to time and shall also include any Circulars, Press releases or Notifications that may be issued by SEBI or the Government of India or the Reserve Bank of India.

**Repo/Reverse Repo :** Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.

**Repurchase/Redemption:** The units of Scheme which will be bought back by the Fund on an ongoing basis.

**Resident:** A resident means any person resident in India under the Foreign Exchange Management Act, and under the Income Tax Act, 1961 including amendments thereto from time to time.

**SAI:** Statement of Additional Information of Principal Mutual Fund

**Sale/ Subscription:** The units of the scheme(s) which will be offered for sale to the unit holders on an ongoing basis.

**Scheme:** would mean Principal Arbitrage Fund and plans/options thereunder offered by the Scheme.

**Scheme Information Document/SID:** This document issued by Principal Mutual Fund, inviting to subscribe to the units of Principal Arbitrage Fund

**SEBI:** Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.

**SEBI Regulations/Mutual Fund Regulations:** The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, or such other Regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time for regulating Mutual Funds in India, by SEBI.

**Securities :** As defined under Section 2(h) of the Securities Contracts (Regulations) Act, 1956 of India and includes but without limitation debt instruments like notes, bonds, debentures, debenture stock, warrants, derivatives etc. or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts/Government securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills etc. such



other instruments as may be declared by GOI and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in securities etc.

**Securities Consolidated Account Securities Consolidated Account Statement ('SCAS')** is a statement sent by the Statement ('SCAS') Depository that shall contain details relating to all the transaction(s) viz. purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal advantage plan, systematic transfer plan, bonus transactions, etc. carried out by the Beneficial Owner(s) (including transaction charges paid to the distributor) across all schemes of all mutual funds and transactions in securities held in dematerialized form across demat accounts, during the month and holdings at the end of the month.

**Sponsor:** Principal Financial Services Inc., USA acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited.

**Stock Exchange:** Would mean and include Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and such other stock exchange(s) where the units of the scheme may be listed.

**Switch:** Redemption of a Unit(s) in any scheme of Principal Mutual Fund against purchase of a Unit in another scheme of the Principal Mutual Fund.

**Systematic Investment Plan(s):** A plan enabling the investors to systematically save and invest in the Scheme on periodical basis by submitting post-dated cheques / payment instructions

**Systematic Transfer /Switch Plan(s):** A Plan enabling the investors to transfer sums on a periodical basis from the Schemes to the other Schemes of the Mutual Fund existing or launched in future from time to time, by giving a simple instruction.

**Systematic Withdrawal Plan(s):** A Plan enabling the investors to withdraw amounts from the Scheme on a periodical basis by giving a simple instruction.

**Tax Act:** Income Tax Act, 1961 and Wealth Tax Act 1957 , or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the GOI.

**Total Assets:** Total Assets of the Scheme at any time shall be the total value of the Scheme's assets, taking into consideration the accruals.

**Trust Deed:** The Trust Deed of the Mutual Fund dated November 25, 1994 made by and between the Sponsor and the Trustee as amended from time to time or any replacement or substitution thereof.

**Trustee(s):** Principal Trustee Company Private Limited incorporated under the Companies Act, 1956.

**Unitholder:** A unitholder means any individual / non-individual, holding units of the Scheme.

**Units:** Undivided Share of a unitholder in the assets of the Scheme (and of the option(s),if any) as evidenced by any letter/advice or any other statement/certificate/instrument.

**Year:** A year shall be full English Calendar months. Viz.12 months.

#### Interpretation

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- The terms defined in this Scheme Information Document include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- Reference to 'Scheme' would mean and include all the Series of the Schemes under this Scheme Information Document unless specified otherwise.

In this Scheme Information Document, all references to "dollars" or "\$" refers to United States dollars, and "R" refers to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".

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

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It is confirmed that:

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

**For Principal Pnb Asset Management Company Private Limited**

Sd/-

**Richa Parasrampur**  
**Head- Compliance**

**Date: March 14, 2016**

Note: The Due Diligence Certificate as stated above was submitted to Securities and Exchange Board of India.

### SECTION III. INFORMATION ABOUT THE SCHEME

#### A. TYPE OF THE SCHEME

An Open Ended Equity Scheme

#### B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

The investment objective of the Scheme is to generate capital appreciation and income by predominantly investing in arbitrage opportunities in the cash and derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments.

There is no assurance or guarantee that the investment objective of the Scheme will be realized.

#### C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

The indicative asset allocation will be as under:

Instruments	Indicative allocation (% of total assets)		
Type of Instrument	Minimum	Maximum	Risk Profile
Equity and equity related instruments	65	90	Medium to High
Equity derivatives	65	90	Medium to High
Debt securities and Money Market Instruments# (including Margin for Derivatives) and Fixed Income Derivatives	10	35	Low

# The Scheme may invest in Treasury Bills, Repos, Reverse Repos & Collateralized Borrowing and Lending Obligations ("CBLO") and units of Debt/Liquid and Money Market Mutual Fund Schemes.

When adequate arbitrage opportunities are not available in the Derivative and Equity markets, the anticipated alternate asset allocation on defensive considerations would be in accordance with the allocation given below. However, in case no arbitrage opportunity is available, then 100% of the remaining investible corpus (excluding margin for derivatives and to the extent not deployed in arbitrage opportunities in the asset allocation pattern mentioned above) will be deployed in short term debt and money market instruments with tenure not exceeding 91 days (including investments in securitized debt). In this scenario also, the allocation in Equities and equity related instruments, Derivatives including index futures, stock futures will continue to be made in arbitrage opportunities only.

Instruments	Minimum (%)	Maximum (%)	Risk Profile
Equity and equity related instruments including Derivatives	0	65	Medium to High
Debt securities and Money Market Instruments# (including Margin for Derivatives) and Fixed Income Derivatives	10	35	Medium to High
Short term Debt and Money market instruments not exceeding tenure of 91 days (including investments in securitized debt)	0	100	Low

# The Scheme may invest in Treasury Bills, Repos, Reverse Repos & Collateralized Borrowing and Lending Obligations (“CBLO”) and units of Debt/Liquid and Money Market Mutual Fund Schemes.

Investment in Securitized Debt may be up to 30% of the net assets of the Scheme.

Subject to the SEBI Regulations, the Mutual Fund may deploy upto 20% of its total net assets of the Scheme in Stock Lending

The above asset allocation for defensive consideration will be for a maximum period of 30 days within which the asset allocation will be rebalanced back to as indicated for normal circumstances. Any further deviation over the period of 30 days in the rebalancing would be referred to the Investment Committee of the AMC for review and suggestions.

The above mentioned investment pattern is indicative and may change for short duration. Subject to the SEBI (MF) Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, and political and economic factors. Such changes in the investment pattern will be for short term and defensive considerations. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short-term purpose only, for defensive considerations and the intention being at all times to protect the interests of the Unit Holders. The Fund Manager shall rebalance the portfolio within 30 days from the date of deviation to bring it in line with the asset allocation pattern as indicated in this SID. Further, in case the rebalancing is not done within the specified period, justification for the same shall be provided to the Investment Committee and the reason for the same shall be recorded in writing. The Investment Committee shall then decide on the course of action.

## **Overview of Debt & Money Market in India**

Indian debt markets have witnessed a rapid growth in the last decade aided by increased government borrowing and initiatives by Reserve Bank of India to implement structural changes in the market place. The debt market is primarily divided into four segments - Government Securities Market, Corporate Debt Market, Money Market and Derivatives market. The main participants in debt market are banks, primary dealers, mutual funds, insurance companies, provident funds and corporates. The primary risks associated with fixed-income investment are interest rate risk, credit risk and liquidity risk.

While government securities market is highly liquid and accounts for almost 90% of daily market turnover, the Corporate Debt Market is also well developed especially for instruments maturing upto ten years and Derivatives markets are developing rapidly. The volumes in the government securities market range between ` 5000 to ` 20,000 crores. The government securities are issued in the form of Treasury Bills (91,182 and 364 days) and long-term bonds. The corporate debt issuance is in the form of short-term commercial papers (upto 1yr) and Debentures. The short-term placement market comprises Money Market Instruments, Bank Deposits etc.

The money market in India essentially consist of Call / Notice / Term Money Market (i.e. market for overnight and term money between Banks and Primary Dealers), Repo transactions, CBLO, Commercial Papers (CPs, short term unsecured promissory note, generally issued by corporates), certificate of deposits (CDs, issued by banks) and Treasury Bills (issued by RBI).

Following table exhibits various debt instruments along with recent indicative yields (as on March 08, 2016)

Instrument and Maturity Profile	Indicative	Liquidity Profile	Risk
	Yield (p.a)		
Treasury bills 3 months - 1 year	7.15-7.25	High	Low
Government of India Securities – 1 – 3 Years	7.25-7.60	High	Moderate
Government of India Securities – 3 - 7 Years	7.60-7.95	High	Moderate
Government of India Securities – 7 -20 Years	7.80-8.05	High	High
Certificate of Deposits	8.00-8.25	High	Low
Commercial Papers	8.30- 9.50	High	Low
AAA rated Corporate Bonds – 1 -3 Years Maturity	8.50-9.25	Moderate to High	Low to Moderate
Corporate Bonds AAA rated 3-5 years Maturity	8.50-8.75	Moderate to High	Moderate to High
Corporate Bonds below AAA rated but of investment grade 3-5 years	8.75-9.25	Low to Moderate	Moderate to High

**SOURCE: BLOOMBERG**

### **INVESTMENT PROCESS**

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

The Fund Manager will carry out the daily investment activities within the framework of SEBI guidelines in accordance with the investment objective as per the Scheme Information Document. The Board of AMC and Trustee shall review the performance of the Scheme in comparison to corresponding schemes of other mutual funds with similar investment objective and asset profile generally. The performance of the Scheme will be compared with benchmark.

### **Review by Board of AMC and Trustees**

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size, rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

### **STOCK LENDING BY THE MUTUAL FUND**

Stock Lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The securities lent are to be returned by the borrower on the expiry of the stipulated period.

To augment revenue generation the Scheme may lend the securities held by it to eligible brokers, dealers, financial institutions through approved intermediaries, in amounts up to 20% of its total net assets at the time of lending, in accordance with the terms of the Securities Lending Scheme announced by SEBI. The Fund may enter into an agreement with the approved intermediary for depositing the securities for the purpose of lending through the approved intermediary on satisfactory terms as to security.

The Scheme would limit its exposure, with regard to securities lending, for a single intermediary to the extent of 5% of the total net assets of the Scheme at the time of lending. The aggregate exposure in securities lending would be limited to 20% of the total net assets of the Scheme. Collateral must be obtained by the approved intermediary for the lending transactions and this collateral must exceed in value of the Securities lent. The collateral can be in the form of cash, bank guarantee, government securities, certificate of deposits or other securities as may be agreed upon with the approved intermediary. It should be noted that any default/delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the Scheme.

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

- i) Equity and equity-related Securities including but not limited to derivatives (stock futures/ index futures and other such permitted derivative instruments including options), equity warrants and convertible instruments. The securities mentioned above could be listed or unlisted, secured or unsecured, and of varying maturity, as enabled under SEBI (MF) Regulations/circulars/ RBI. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals.
- ii) Securities created and issued by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- iii) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- iv) Debt securities issued by domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee.
- v) Corporate debt and Debentures (including repo in corporate bonds) (of both public and private sector undertakings).
- vi) Money Market Instruments include commercial papers, commercial bills, treasury bills, Government of India Securities having an unexpired maturity upto one year, call or notice money, certificates of deposit, Repos, Reverse Repos, Bills Re-discounting CBLOs and any other like instruments as specified by Reserve Bank of India from time to time.
- vii) Deposits with domestic banks and other corporate bodies as may be permitted by SEBI from time to time.
- viii) Scheme may also invest a part of its assets in financial derivatives such as options and futures & Interest Rate Swaps (IRS) (comprising of government securities) that are permitted or may become permissible under SEBI/RBI Regulations.
- ix) The Scheme may invest a part of its corpus in Debt and Money Market Securities/Units of Liquid/Money Market/Debt Mutual Fund Schemes However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term defensive considerations, and the intention being at all times to protect the interests of the Unit Holder.
- x) Domestic securitized debt, pass through obligations, various types of securitization issuances, including but not limited to asset backed securitization, mortgage backed securitization, and personal loan backed securitization.
- xi) Securities Lending & Borrowing as permitted by SEBI from time to time.

#### **Depository**

Securities of the Scheme may be held in dematerialised form. In case the securities are held in dematerialized (electronic) mode, the rules of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, would apply. The service charges payable to the Depository Participant will form a part of the annual recurring expenses.

#### **E. WHAT ARE THE INVESTMENT STRATEGIES?**

The Scheme will endeavor to invest predominantly in arbitrage opportunities between spot and futures prices of exchange traded equities. In absence of profitable arbitrage opportunities available in the market, the scheme may predominantly invest in short-term debt and money market securities. The fund manager will evaluate the difference between the price of a stock in the futures market and in the spot market. If the price of a stock in the futures market is higher than in the spot market, after adjusting for costs and taxes the scheme shall buy the stock in the spot market and sell the same stock

in equal quantity in the futures market, simultaneously. For example, on December 4, 2014, the scheme buys a share of XYZ Company on spot @ Rs. 1000 and at the same time sells XYZ Company futures for December 2014 expiry @ Rs. 1020. The Scheme thus enters into a fully hedged transaction by selling the equity position in the futures market for expiry on say December 25, 2014. If the scheme holds this position till expiry of the futures, the scheme earns profit of Rs. 20 on the date of expiry before accounting for trading costs and taxes.

In case the scheme has to unwind the transaction prior to the expiry date on account of redemption pressures or any other reason, the returns would be a function of the spread at which the transaction is unwound. For example, if spot is sold at Rs. 980 and the futures are bought at Rs. 1010 then there would be negative returns on the trade. If the spot is sold at Rs. 1020 and the futures are bought at Rs. 1015 then there would be positive returns from the trade. On the date of expiry, if the price differential between the spot and futures position of the subsequent month maturity still remains attractive, the scheme may rollover the futures position and hold onto the position in the spot market. In case such an opportunity is not available, the scheme would liquidate the spot position and settle the futures position simultaneously. Rolling over of the futures transaction means unwinding the short position in the futures of the current month and simultaneously shorting futures of the subsequent month maturity while holding onto the spot position. There could also be occasions when both the spot and the future position is unwound before the expiry of the current-month future to increase the base return or to meet redemption. Return enhancement through the use of arbitrage opportunity would depend primarily on the availability of such opportunities. The Scheme will strive to build similar market neutral positions that offer an arbitrage potential for e.g. buying the basket of index constituents in the cash segment and selling the index futures. The Scheme would also look to avail of opportunities between one futures contract and another. For example on 16 December 2014, the scheme buys 1000 futures contracts of ABC Ltd. For December expiry at Rs.3000 each and sells an equivalent 1000 futures contract of ABC Ltd. for January expiry at Rs.3030. Thereby the scheme enters into a fully hedged transaction. Closer to the expiry date of the December contract, the scheme has two options. 1) Unwind the transaction by selling the 1000 December contracts and buying 1000 January contracts of ABC. The returns are a function of the spread between the sale price of the January contract and the buy price of the December contract. If this spread is less than Rs. 30, the returns are positive else the returns are negative. 2) On the expiry date i.e. 30 December, 2014, the scheme would let the December contract expire and square off 1000 contracts that it holds for January maturity. The returns would be a function of the spread between settlement price of the December contract and the price at which January contracts are squared-off. If this spread is lower than Rs. 30 then the returns are positive and if it is higher than Rs. 30 the returns are negative. The Scheme can also initiate the transaction in the opposite direction i.e. by selling the December futures and buying the January futures, if it sees a profit potential. Under all circumstances the scheme would keep its net exposures neutral to the underlying direction of the market by maintaining completely hedged positions. In addition to stock specific futures, the scheme can also take offsetting positions in index futures of different calendar month.

The debt and money market instruments include any margin money that has to be maintained for the derivative position. The margin money could also be maintained partly as Fixed deposits with Scheduled commercial banks. The Scheme would invest in a range of fixed income and money market instruments including units of Debt/Liquid/Money Market Mutual Fund Schemes. Further the Scheme may also invest in financial derivatives such as options and futures & Interest Rate Swap (IRS) that are permitted or may become permissible under SEBI/RBI Regulations. The proportion of assets to be so invested would be decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities. decided by the AMC at the appropriate time, and would be done in accordance with the relevant guidelines to be issued by SEBI/RBI and other authorities.

## **Trading in Derivatives**

The Scheme may take derivatives position based on the opportunities available subject to the guidelines provided by SEBI from time to time and in line with the overall investment objective of the Scheme. SEBI has vide its Circulars inter alia, DNPd/Cir-29/2005 dated September 14, 2005 and DNPd/Cir-30/2006 dated January 20, 2006 and CIR/IMD/DF/11/2010 dated August 18, 2010, specified the guidelines pertaining to trading by Mutual Fund in Exchange traded derivatives and SEBI Circular DNPd/Cir-31/2006 dated September 22, 2006 modifying the position limits for Index derivative contracts.

A derivative is an instrument whose value is derived from the value of one or more of the underlying assets which can be commodities, precious metals, bonds, currency, etc. Common examples of Derivative instruments are Interest Rate Swaps, Forward Rate Agreements, Futures, Options, etc.

In case of equity derivatives, the Scheme may transact in exchange traded equity derivatives only and these instruments may take the form of Index Futures, Index Options, Futures and Options on individual equities/securities and such other derivative instruments as may be appropriate and permitted under the SEBI Regulations and guidelines from time to time.

Derivative positions taken would be guided by the following principles:

#### **Exposure to Equity Derivatives**

The net derivatives position in the Scheme(s) may be up to the limit as set forth in the asset allocation pattern of the Scheme, subject to the following regulatory limits:

**i. Position limit for the Mutual Fund in index options contracts:**

- a.** The Mutual Fund position limit in all index options contracts on a particular underlying index shall be R500 crore or 15% of the total open interest in the market in index options, whichever is higher, per Stock Exchange.
- b.** This limit would be applicable on open positions in all options contracts on a particular underlying index.

**ii. Position limit for the Mutual Fund in index futures contracts:**

- a.** The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be R500 crore or 15% of the total open interest in the market in index futures, whichever is higher, per Stock Exchange.
- b.** This limit would be applicable on open positions in all futures contracts on a particular underlying index.

**iii. Additional position limit for hedging:**

In addition to the position limits at point (i) and (ii) above, Fund may take exposure in equity index derivatives subject to the following limits:

- a.** Short positions in index derivatives (short futures and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
- b.** Long positions in index derivatives (long futures and long calls) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

**iv. Position limit for the Mutual Fund for stock based derivative contracts:**

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts:

- a.** For stocks having applicable market-wise position limit (MWPL) of Rs. R500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or R300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or R150 crores, whichever is lower.
- b.** For stocks having applicable market-wise position limit (MWPL) less than Rs. R500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or R50 crore whichever is lower.

**v. Position limit for the Scheme:**

The position limits for the Scheme and disclosure requirements are as follows:

- a.** For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Fund shall not exceed the higher of :1% of free float market capitalization (in terms of number of shares).

Or

5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

- b.** This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.



c. For index based contracts, the Mutual Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

As and when SEBI notifies amended limits in position limits for exchange traded derivative contracts in future, the aforesaid position limits, to the extent relevant, shall be read as if they were substituted with the SEBI amended limits.

The Scheme(s) may purchase call and put options in securities in which it invests and on securities indices. Through the sale and purchase of futures contracts the Fund would seek to hedge against a decline in securities owned by the Fund or an increase in the prices of securities which the Fund plans to purchase. The Fund would sell futures contracts on securities indices in anticipation of a fall in stock prices, to offset a decline in the value of its equity portfolio. When this type of hedging is successful, the futures contract increase in value while the Fund's investment portfolio declines in value and thereby keep the Fund's net asset value from declining as much as it otherwise would. Similarly, when the Fund is not fully invested, and an increase in the price of equities is expected, the Fund would purchase futures contracts to gain rapid market exposure that may partially or entirely offset increase in the cost of the equity securities it intends to purchase. In certain cases the Fund might invest in futures contracts as against underlying cash stocks for reasons of liquidity and lower impact costs.

### **Stock and Index Futures**

Hedging against an anticipated rise in equity prices:-

The scheme has a corpus of Rs.100 crores and has cash of Rs.15 crores available to invest. The Fund may buy index/stock futures of a value of Rs.15 crores. The scheme may reduce the exposure to the future contract by taking an offsetting position as investments are made in the equities; the scheme wants to invest in. Here, if the market rises, the scheme gains by having invested in the index futures.

Hedging against anticipated fall in equity prices:-

If the Fund has a negative view on the market and would not like to sell stocks as the market might be weak, the scheme of the Fund can go short on index/stock futures. Later, the scheme can unwind the future positions. A short position in the future would offset the long position in the underlying stocks and this can curtail potential loss in the portfolio. The Fund's successful use of futures contracts is subject to the Fund Manager's ability to predict correctly the market factor affecting the market value of the Fund's portfolio securities. For example if a Fund is hedged against a fall in the securities using a short position in index futures, and the market instead rises, the Fund loses part or all of the benefit of the increase in securities prices on account of the offset losses in index futures. Imperfect co-relation between the price movements in the securities index on the one hand and the stocks held by the Fund or the futures contracts itself on the other hand may result in trading losses. The Fund may not be able to close an open futures position due to insufficient liquidity in the futures market. Under such circumstances, the Fund would be required to make daily cash payments of variation margin in the event of adverse price movements. If the Fund has insufficient cash, the Fund may be required to sell portfolio securities to meet daily variation margin requirement at a time when it may be disadvantageous to do so.

A hedge is designed to offset a loss on a portfolio with a gain in the hedge position. At the same time, however, a properly correlated hedge will result in a gain in the portfolio position being offset by a loss in the hedge position. As a result the use of derivatives could limit any potential gain from an increase in value of the position hedged. In addition, an exposure to derivatives in excess of the hedging requirement can lead to losses.

### **Stock and Index Options:**

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. In India, all individual stock options are American Options, whereas all index options are European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

### **Example for Options:**

**Buying a Call Option:** Let us assume that the Fund buys a call option of XYZ Ltd. with strike price of Rs.1000/-, at a premium of Rs.25/-. If the market price of ABC Ltd on the expiration date is more than Rs.1000/-, the option will be exercised. The Fund will earn profits once the share price crosses Rs.1025/- (Strike Price + Premium i.e. 1000+25). Suppose the price of the stock is Rs.1100/-, the option will be exercised and the Fund will buy 1 share of XYZ Ltd. from the seller of the option at Rs.1000/- and sell it in the market at Rs.1100/-, making a profit of Rs.75/-. In another scenario, if on the expiration date the stock price falls below Rs.1000/-, say it touches Rs.900/-, the Fund will choose not to exercise the option. In this case the Fund loses the premium (Rs.25), which will be the profit earned by the seller of the call option.

**Buying a Put Option:** Let us assume the Fund owns the shares of XYZ Ltd, which is trading at Rs.500/-. The fund wishes to hedge this position in the short-term as it perceives some downside to the stock in the short-term. It can buy a Put Option at Rs.500 by paying a premium of say Rs.10/- In case the stock goes down to Rs.450/- the fund has protected its downside to only the premium i.e Rs.10/- instead of Rs.50/-. On the contrary if the stock moves up to say Rs.550/- the fund may let the Option expire and forego the premium thereby capturing Rs.40/- upside. The strategy is useful for downside protection at cost of foregoing some upside.

For an option buyer, loss is limited to the premium that he has paid and gains are unlimited. .

The above example is hypothetical in nature and all figures are assumed for the purpose of illustrating the use of call options in individual stocks. Similar analogy can be used for Index Options too when the fund wishes to hedge a part of the total portfolio or cash.

**Portfolio Turnover :** Portfolio Turnover is the aggregate volume of purchases and sales as a percentage of the corpus of the scheme during a specified period of time. The portfolio turnover in the Scheme will be a function of inflows, outflows as well as market opportunities available to the Fund Manager. Consecutively it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolios. It will be the endeavor of the Fund Manager to keep the portfolio turnover rates low. Active asset allocation would impact portfolio turnover. There may be trading opportunities that present themselves from time to time where, in the opinion of the Fund Manager, there is an opportunity to enhance the total returns of the portfolio. The Fund Manager will endeavor to balance the increased cost on account of higher portfolio turnover, if any, with benefits likely to be derived from such an approach.

## **F. FUNDAMENTAL ATTRIBUTES**

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

### **(i) Type of a scheme**

An Open Ended Equity Scheme

### **(ii) Investment Objective**

- Main Objective - Please refer “What is the investment objective of the Scheme?” on page no.27
- Investment pattern - Please refer “How will the Scheme allocate its assets?” on page no. 27

### **(iii) Terms of Issue**

- Liquidity provisions such as listing, repurchase, redemption - Please refer section on “ongoing offer details” on page no. 67
- Aggregate fees and expenses charged to the scheme - Please refer section on “Fees and Expenses” on page no. 80
- Any safety net or guarantee provided - Not applicable

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

- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

## **G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?**

The Benchmark Index for the Scheme shall be CRISIL Liquid Fund Index.

The Fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme, subject to SEBI Regulations

## **H. WHO MANAGES THE SCHEME?**

Mr. Rajat Jain is the Fund Manager of the Scheme whose details are as follows:

**Designation:** Chief Investment Officer

**Age:** 51 years

**Qualification:** B.E. (Mech), PGDM

### **Brief Experience:**

Mr. Jain is Chief Investment Officer at AMC. In his current role he oversees investments of Principal Mutual Fund and the overall portfolio strategy. He has over 24 years of experience in Investment Management at Mutual Funds out of which last 14 years being associated with Principal Mutual Fund. In his previous assignment he was associated with SBI Mutual Fund as the Chief Investment Officer

### **Name of other schemes under his management:**

Principal Index Fund – Nifty  
Principal Index Fund – Midcap  
Principal Global Opportunities Fund

## **I. PRODUCT DIFFERENTIATION**

<b>Comparison of certain features Principal Arbitrage Fund vis-a-vis other existing open-ended equity Schemes of Principal Mutual fund</b>			
<b>Scheme Name</b>	<b>Principal Large Cap Fund</b>	<b>Principal Growth Fund</b>	<b>Principal Dividend Yield Fund</b>
Investment Objective	The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by predominantly	To achieve long – term capital appreciation.	The investment objective of the scheme would be to provide capital appreciation and/or dividend distribution

	investing in companies having a large market capitalization.		by investing predominantly in a well-diversified portfolio of companies that have a relatively high dividend yield.					
Asset Allocation Pattern	Large Cap Equity and Equity related instrument - 65-100%,	Equity and Equity Related Instruments - 65-100%	Equity and Equity related instruments of High Dividend Yield companies* - 65-100%					
	Equity & Equity related instruments (other than in above) - 0-35%	Debt (including securitized debt*) and Money market instruments - 0-35%	Debt and Money Market Instruments (including Units of Debt/ Liquid Mutual Fund Schemes and Cash) - 0-35%					
	Money Market Instruments - 0-30%	*Securitized Debt - Upto 35%	*High Dividend Yield Companies are defined as Companies whose dividend yield, at the time of investment, is equal to or higher than the dividend yield of the Company with the lowest dividend yield in the CNX Dividend Opportunities Index, ascertained as at the close of previous trading day.					
	<div>The AMC reserves the right to invest in foreign securities and derivatives as follows:-<table><tr><th>Particulars</th><th>Normal Allocation (% of Net Assets)</th></tr><tr><td>Investment in ADR/ GDR and foreign securities (equity and equity related instruments)</td><td>Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.</td></tr><tr><td>Equity Derivatives</td><td>Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.</td></tr></table></div>	Particulars	Normal Allocation (% of Net Assets)	Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.	Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.	<div>The Asset Management Company (AMC) reserves the right to invest in Derivatives upto 50% of the net assets of the Scheme.</div>
Particulars	Normal Allocation (% of Net Assets)							
Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to a maximum limit of US \$300 million) or such other limit as specified by SEBI from time to time.							
Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.							
Investment Strategy	Currently, more than 80% of market capitalization of the equity market is in large capitalization stocks and pursuant to the objectives of the scheme, the scheme would invest at least 65% of its assets in companies having a market capitalization greater than Rs.750 crores as on the date of investment (or any such amount as may be specified by India Index Services and Products Ltd. (IISL) from time to time) being the upper limit of market capitalization as a	The scheme will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. Companies selected for the portfolio which in the opinion of the AMC would possess some of the characteristics mentioned below:	The scheme would invest predominantly (at least 65% of the net assets) in companies that have a relatively high dividend yield, at the time of making the investment. The Fund is defining dividend yield as "high" if the security is either constituent of the CNX Dividend Opportunities Index, or, has a dividend yield higher than					

	criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of 'Large Cap companies', the same will be utilized. The scheme may also invest upto 35% of its net assets in companies having a market capitalization less than Rs.750 crores.	<ul style="list-style-type: none"> <li>– Superior management quality</li> <li>– Distinct and sustainable competitive advantage</li> <li>– Good growth prospects and</li> <li>– Strong financial strength</li> </ul> <p>The aim will be to build a diversified portfolio across major industries and economic sectors by using "Fundamental Analysis" approach as its selection process.</p>	that of the NSE Nifty on the earlier trading day, at the time of investment.
AUM in Rs. Cr. (Feb 29, 2016)	263.54	309.26	90.09
No. of Folios(Feb 29, 2016)	43,037	79,731	30,475
Differentiation	<p>The Scheme is a, equity scheme that invests largely in large cap stocks to generate long term capital appreciation.</p> <p>The Scheme Benchmark is S&amp;P BSE 100 Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>	<p>The Scheme is a, diversified equity scheme that invests across sectors to generate long term capital appreciation.</p> <p>The Scheme Benchmark is S&amp;P BSE 200 Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>	<p>The Scheme is a equity scheme that invest predominantly in a high dividend yield companies.</p> <p>The Scheme Benchmark is CNX Dividend Opportunities Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>
<b>Scheme Name</b>	<b>Principal Emerging Bluechip Fund</b>	<b>Principal Personal Tax Saver Fund</b>	<b>Principal Tax Savings Fund</b>
Investment Objective	The primary objective of the Scheme is to achieve long-term capital appreciation by investing in equity & equity related instruments of Mid cap & Small cap companies.	To provide long term growth of capital. The Investment Manager will aim to achieve a return on assets in excess of the performance of S&P BSE 100 Index.	To build a high quality growth-oriented portfolio to provide long-term capital gains to the investors. The scheme aims at providing returns through capital appreciation.
Asset Allocation Pattern	Equity & equity related instruments of Mid Cap companies - 65-95%	Equity and Equity Linked Instruments - Not Less than 80%	Equity and Equity Linked Instruments - Not Less than 80%
	Equity & equity related instruments of Small Cap companies - 5-15%	Debt securities (*Including Securitised Debt) and Money market instruments - Upto 20%	Debt securities (*Including Securitised Debt) and Money market instruments - Upto 20%
	Equity & equity related instruments of Companies other than Mid & Small Cap companies - 0-30%	*Securitised Debt - Up to 20%	*Securitised Debt - Up to 20%
	Cash & Money Market / Fixed Income Securities (including MIBOR Linked Short Term Papers & Securitised Debt*) - 0-30%	The Scheme may invest up to 50% of the net assets of the Scheme in derivatives.	The Scheme may invest up to 50% of the net assets of the Scheme in derivatives.
	Securitised Debt - Up to 30%		

	The Asset Management Company (AMC) reserves the right to invest in derivatives (Equity Derivatives) not exceeding 50 % of the Net Assets, subject to limits specified by SEBI from time to time.		
Investment Strategy	<p>The investment strategy of the fund will be based on market cap of the stocks. The fund will predominantly invest in midcap stocks. This midcap range will be so determined taking into account the midcap range of the benchmark index at the end of every calendar quarter. Such midcap range once determined at quarter end will apply to all investment decisions made during the following quarter. The fund will also invest in small cap stocks to tap high growth opportunities offered by such stocks.</p> <p>For the purpose of maintaining liquidity or tap market opportunities; the fund may also invest in large cap stocks. Stocks selection will be primarily on bottom up approach on stock-by-stock basis. As part of its objective of maximizing investor's wealth creation potential over the longer duration, the fund may also invest in equity and equity related instruments of unlisted companies in line with SEBI regulations. A part of the portfolio will also tap arbitrage opportunities in the domestic markets like equity &amp; equity related instruments, convertible preference shares, and convertible debentures. The Scheme intends to invest in derivatives not exceeding 50% of the net assets of the Schemes, subject to the limits as specified from time to time for hedging and rebalancing purposes or to undertake any other strategy as permitted under SEBI Regulations from time to time.</p>	The strategy will be to allocate the assets of the Scheme between permissible securities in line with the portfolio profile described above, with the objective of achieving capital appreciation. The actual percentage of investment in various securities will be decided by the Fund Manager(s) within the limits specified in the Investment Pattern after considering the macroeconomic conditions including the prevailing political conditions, the economic environment (including interest rates and inflation) and to adhere to the need for a diversified portfolio in accordance with the applicable guidelines. The Fund Managers will follow an active investment strategy depending on the market situation and opportunities available at various points of time.	The scheme will invest its assets in a portfolio of equity and equity related instruments. The focus of the investment strategy would be to identify stocks which can provide capital appreciation in the long term. The aim will be to build a diversified portfolio across major industries and economic sectors by using “fundamental analysis” as its selection process.
AUM in Rs. Cr. (Feb 29, 2016)	437.55	271.32	215.23
No. of Folios (Feb 29, 2016)	62,669	1,16,619	70,369

Differentiation	<p>The Scheme is a, equity scheme that invests in Mid &amp; Small cap stocks to generate long term capital appreciation.</p> <p>The Scheme Benchmark is CNX Midcap Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>	<p>The Scheme is a, equity scheme that aim to generate long term capital appreciation.</p> <p>Investors enables to get income tax rebate as per the prevailing Tax Laws, subject to lock in period of 3 years from the date of allotment.</p> <p>The Scheme Benchmark is S&amp;P BSE 100 Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>	<p>The Scheme is a, diversified equity scheme that invests across sectors to generate long term capital appreciation</p> <p>Investors enables to get income tax rebate as per the prevailing Tax Laws, subject to lock in period of 3 years from the date of allotment.</p> <p>The Scheme Benchmark is S&amp;P BSE 200 Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>
<b>Scheme Name</b>	<b>Principal Index Fund - Nifty</b>	<b>Principal Index Fund - Midcap</b>	
Investment Objective	To invest principally in securities that comprise CNX Nifty (NSE) and subject to tracking errors endeavor to attain results commensurate with the Nifty.	To invest principally in securities that comprise CNX Midcap Index and subject to tracking errors endeavor to attain results commensurate with the CNX Midcap Index.	
Asset Allocation Pattern	Nifty Stocks - 0-100%	CNX Midcap Stocks - 95-100%	
	<p>Money Market Instruments - 0-10%</p> <p>The Asset Management Company reserves the right to invest in derivatives up to 50% of the net assets of the Scheme</p>	<p>Money Market Instruments with less than 1 year residual maturity (including reverse repos in government securities, as may be permitted by SEBI/RBI and units of liquid mutual fund schemes) - 0-5%</p> <p>The Asset Management Company reserves the right to invest in derivatives up to 50% of the net assets of the Scheme.</p>	
Investment Strategy	The scheme has been designed with the intention of tracking the movement of securities (from time to time) included in the Nifty. The Scheme plans to do this by investing the entire corpus in the stocks that comprise the Nifty in weights similar to the weightage given by Nifty so that the portfolio would appreciate or depreciate (subject to tracking errors) more or less in the same manner as the Nifty. Subject to the requirements of cash flows to meet the recurring expenses and to service investors who decide to exit from the Scheme or for distribution of income, if any, to investors, it is proposed that the corpus of the	<p>The Scheme will follow an index-based investment strategy by investing in the constituents of the CNX Midcap Index in the same proportion as the Index.</p> <p>Units of the Scheme have been designed with the intention of tracking the movement of securities (from time to time) included in the CNX Midcap Index. The Scheme plans to do this by investing the corpus in the stocks that comprise the CNX Midcap Index in similar weights to the weightage given by the CNX Midcap Index so that the portfolio would appreciate or depreciate (subject to tracking errors) in more or less the same manner as the CNX Midcap Index.</p> <p>Subject to the requirements of cash flows to meet the</p>	

	<p>scheme will be invested in the Nifty securities. It is also proposed that disinvestment will take place only when investors exit from the Scheme or when any security ceases to be included in the Nifty or to meet the cash flow requirements. The Nifty is designed to reflect the perceptions of the investors about the Indian economy. This is sought to be achieved by IISL by including companies representing a cross-section of various sectors of the Indian economy. By endeavoring to track the Nifty to the extent possible under the prevailing circumstances and environment objectives and the features of the Scheme, the Fund expects to generate returns in the Scheme approximating the performance of the Nifty.</p>	<p>recurring expenses and to service investors who decide to exit from the Scheme or for distribution of income, if any, to investors, it is proposed that the corpus of the Scheme will be invested in the CNX Midcap securities. It is also proposed that disinvestment will take place only when investors exit from the Scheme or when any security ceases to be included in the CNX Midcap Index or to meet the cash flow requirements. The primary objective of the CNX Midcap Index is to capture the movement of the midcap segment of the market. CNX Midcap is computed using free float market capitalization weighted method w.e.f. February 26, 2010, wherein the level of the index reflects the total market value of all the stocks in the index relative to a particular base period. The method also takes into account constituent changes in the index and corporate actions such as stock splits, rights, etc without affecting the index value. The CNX Midcap Index has a base date of Jan 1, 2003 and a base value of 1000.</p>
AUM in Rs. Cr. (Feb 29, 2016)	24.05	7.67
No. of Folios (Feb 29, 2016)	717	289
Differentiation	<p>The scheme is a passively managed index fund, which would invest in all the stocks comprising CNX Nifty Index in the same proportion as their weightage in the index.</p> <p>The Scheme Benchmark is CNX Nifty Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>	<p>The scheme is a passively managed index fund, which would invest in all the stocks comprising CNX Midcap Index in the same proportion as their weightage in the index.</p> <p>The Scheme Benchmark is CNX Midcap Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>
<b>Scheme Name</b>	<b>Principal SMART Equity Fund</b>	
Investment Objective	<p>The primary objective of the scheme is to seek to generate long term capital appreciation with relatively lower volatility through systematic allocation of funds into equity; and in debt /money market instruments for defensive purposes. The Scheme will decide on allocation of funds into equity assets based on equity market Price Earnings Ratio (PE Ratio) levels. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa.</p>	
Asset Allocation Pattern	<p>Equity &amp; Equity Related Instruments of Large Cap Companies- 0-100%</p> <p>Debt or Money Market Securities and/or units of money market/liquid schemes of Principal Mutual Fund - 0-100%</p> <p>Investment in derivatives shall be upto 50% of the net assets of the Scheme.</p>	



Investment Strategy	<p>The Scheme will decide on allocation of funds into equity assets based on equity market Price Earnings Ratio (PE Ratio) levels. The PE Ratio has traditionally been used as a tool to assess whether the equity markets are cheap or expensively priced. When the markets become expensive in terms of 'Price to Earnings' Ratio; the Scheme will reduce its allocation to equities and move assets into debt and/or money market instruments and vice versa. Such a strategy is expected to optimise the risk-return proposition for the long term investor.</p> <p>Under normal circumstances; the scheme's equity allocation may follow the following pattern based on CNX Nifty PE Ratio Level –</p>		
	<p><b>Weighted Average PE Ratio of CNX Nifty</b></p>	<p><b>Equity Component (%)</b></p>	<p><b>Cash Futures Arbitrage/Debt Component (%)</b></p>
	Upto 16	100	0
	Above 16 – Upto 18	80 - 100	0 - 20
	Above 18 – Upto 20	60 - 80	20 - 40
	Above 20 – Upto 24	30 - 50	50 - 70
	Above 24 – Upto 26	10-20	80 - 90
	Above 26 – Upto 28	0 - 10	90 - 100
	Above 28	0	100
	<p>For this purpose the month end PE Ratio of CNX Nifty Index (NSE Nifty) will be considered.</p> <p>Such a PE Ratio will be the month end weighted average PE Ratio of the constituent stocks making up the CNX Nifty Index. The Price considered will be the closing market price on the NSE as at the month end. The undiluted earnings per share will reflect the trailing earnings of the most recent four quarters of each of the companies, for which information is available.</p> <p>This PE ratio will be rounded off to the nearest decimal. Thus every month end we would observe the above mentioned PE ratio and the resultant PE band. The investment strategy outlines different PE bands and the asset allocation applicable to each band. If there is a change in the PE band as observed on the latest month-end as compared to last month-end (due to Nifty's PE moving out of one band to another) then it will require rebalancing of portfolio to bring the equity component in line with the new band. This rebalancing would be done latest before the end of the subsequent month.</p>		
AUM in Rs. Cr. (Feb 29, 2016)	100.72		
No. of Folios(Feb 29, 2016)	6,830		
Differentiation	<p>The scheme is a equity scheme, seek to generate long term capital appreciation with relatively lower volatility through systematic allocation of funds into equity; and in debt /money market instruments for defensive purposes.</p> <p>The Scheme Benchmark is CRISIL Balanced Fund Index while Scheme Benchmark for Principal Arbitrage Fund is CRISIL Liquid Fund Index</p>		

## **J. WHAT ARE THE INVESTMENT RESTRICTIONS?**

Following Investment limitations/restrictions are applicable to the Scheme -

- A mutual fund scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of directors of the asset management company:

Provided that such limit shall not be applicable for investments in Government Securities, treasury bills and collateralized borrowing and lending obligations:

Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with the Board:.

- The Scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of AMC.
- The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities. Provided further that the Scheme may also enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI. Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard
- The Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
- The Fund under all its Schemes should not own more than 10% of any company's paid up capital carrying voting rights.
- The Scheme shall not make any investment in:
  - any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or
  - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
- Transfers of investments from one scheme to another scheme of Principal Mutual Fund shall be allowed only if:
  - (a) Such transfers are done at the prevailing market price for quoted instruments on spot basis.  
[Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.]
  - (b) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- The Scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate interscheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the mutual fund.
- The Scheme will comply with provisions specified in Circular dated August 18, 2010 related to overall exposure limits applicable for derivative transactions as stated below:
  - i. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
  - ii. Mutual Funds shall not write options or purchase instruments with embedded written options.
  - iii. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.

- iv. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
  - v. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following: a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains. b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1. c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged. d. The quantity of underlying associated with the derivative position taken for hedging purpose does not exceed the quantity of the existing position against which hedge has been taken.
  - vi. Mutual Funds may enter into interest rate swaps for hedging purposes. The counterparty in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
  - vii. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point (i) above.
- Pending deployment of Funds of the Scheme in terms of investment objective, the Scheme may invest them in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI vide its circular dated April 16, 2007, as amended from time to time:
    - The Scheme shall not park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
    - The Scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
    - No funds of the Scheme may be parked in short term deposit of a bank which has invested in the Scheme.
    - Short Term for such parking of fund by Mutual Fund shall be treated as a period not exceeding 91 days.
  - The Scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any Company.
  - The Scheme shall not invest more than 5% of its net assets in the unlisted equity shares or equity related instruments.
  - The Scheme shall not invest in any Fund of Funds Scheme.
  - Aggregate value of “Illiquid Securities” of the Scheme, which are defined as non-traded, thinly traded and unlisted equity share, shall not exceed 15% of the total assets of the Scheme.
  - The Fund shall not borrow except to meet temporary liquidity needs, for the purpose of repurchase, redemption of units or payment of interest or dividend to the unitholders:  
Provided that the Fund shall not borrow more than 20 per cent of the net asset of the scheme and the duration of such a borrowing shall not exceed a period of six months.
  - The Scheme shall not advance any loan for any purpose.

The AMC / Trustee may alter these above stated restrictions from time to time to the extent the SEBI Regulations change, so as to permit the Scheme to make its investments in the full spectrum of permitted investments for the Scheme to achieve its investment objective. The AMC/Trustee may from time to time alter these restrictions in conformity with the SEBI (MF) Regulations.

**J. HOW HAS THE SCHEME PERFORMED?**

This Scheme is a new scheme and does not have any performance track record.

**K. INVESTMENT BY AMC**

The AMC, and investment companies managed by the Sponsor, its affiliates, its associate companies and subsidiaries may invest either directly or indirectly in the Scheme. The money managed by these affiliates, associates, the Sponsor, subsidiaries of the Sponsor and/or the AMC may acquire a substantial portion of the Scheme's units and collectively constitute a major investment in the Scheme. The AMC reserves the right to invest its own funds in the Scheme as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and SEBI/IMD/CIR No. 1/42529/05 dated June 14, 2005 regarding minimum number of investors in the Scheme/Plan. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme.

## SECTION IV: UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

### A. New Fund Offer (NFO)

<b>New Fund Offer Period</b> This is the period during which a new scheme sells its units to the investors	<b>NFO opens on:</b> March 28, 2016 <b>NFO closes on:</b> April 11, 2016  The AMC reserve the right to extend the closing date, subject, however, to the condition that the subscription shall not be kept open for more than 15 days.
<b>New Fund Offer Price:</b> This is the price per unit that the investors have to pay to invest during the NFO.	Rs. 10/- per unit
<b>Minimum Amount for Application in the NFO</b>	Minimum application amount will be Rs. 5,000/- for both Dividend and Growth Option and in multiples of Re. 1 thereafter under each Plan/ option.
<b>Minimum Target amount</b> This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within five business days, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of due date of refund.	Rs. 10 Crore.
<b>Maximum Amount to be raised (if any)</b>  This is the maximum amount which can be collected during the NFO period, as decided by the AMC.	There is no maximum amount.
<b>Plans / Options offered</b>	The Scheme will have two Plans i.e. Regular Plan & Direct Plan. Both the Plans, offer two Options viz. Dividend and Growth Option. Further, Dividend option will have the facility of Payout, Re-investment and Sweep.  The Investment Options (Regular and Direct Plan) will share a common portfolio.  <b>Regular Plan:</b> Investors opting to invest through a Distributor shall be allotted units under the Regular Plan. Kindly ensure that a Distributor code is provided in the relevant space on the application form. In the absence of the Distributor Code, the application will be processed under the DIRECT Plan, by default.

**Direct Plan:**

“Direct Plan” is only for investors who purchase /subscribe Units in a Scheme directly with the Fund. This plan is not available for investors who wish to purchase/ subscribe units through a Distributor. All categories of investors (whether existing or new Unitholders) as permitted under the Scheme Information Document of the Scheme are eligible to subscribe under Direct Plan. Investments under Direct Plan can be made through various modes offered by the Mutual Fund for investing directly with the Mutual Fund [except through Stock Exchange Platforms for Mutual Funds and all other Platform(s) where investors’ applications for subscription of units are routed through Distributors].

Investors desirous of subscribing under Direct Plan of a Scheme will have to ensure to indicate “Direct Plan” against the Scheme name in the application form.

**Dividend Option:**

Under Dividend Option, dividend will be declared subject to availability of distributable surplus and at discretion of AMC / Trustee. The undistributed portion of the income will remain in the Option and be reflected in the NAV, on an ongoing basis. The Trustees decision with regard to availability and adequacy, rate, timing and frequency of distribution of dividend shall be final.

Further, the Dividend Option will have the facility of Re-investment, Payout and Sweep. Applicants should indicate the Option/Facility for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the Application Form. Applicants can allocate the investment in both the Options subject to a minimum investment amount of the Scheme.

Dividend option will have the facility of Payout, Re-investment and Sweep.

**Dividend Payout Facility**

Under this Facility, the unit holders would receive payout of their dividend in the Option.

**Dividend Re-investment Facility**

Under this Facility, dividend declared will be re-invested in the Scheme/Option itself, at applicable NAV based prices

**Dividend Sweep Facility**

Under this facility, the unit holders may reinvest their dividend in any other open ended scheme of the Fund at the applicable NAV based prices, subject to the minimum investment and eligibility requirements of the scheme in which the dividend is being invested. The appropriate number of units shall be credited to unit holder’s account at the applicable NAV on the same date when the NAV is ex-dividend.

**Growth Option**

Under this option, the Mutual Fund will not declare any dividend. The income earned by the Schemes will remain invested in the Schemes concerned and will be reflected in the NAV. This Option is suitable for investors who are not looking for

current income but who have invested only with the intention of capital appreciation.

### Default Option

Refer table below for understanding the result for various options selected by the investor for applications –

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

As mentioned above Investors should indicate the plan for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form.

In cases of wrong/invalid/incomplete ARN codes mentioned on the application form, the application shall be processed under Regular plan. The AMC shall contact and obtain the correct ARN code within 30 calendar days of the receipt of the application form from the investor/distributor. In case, the correct code is not received within 30 calendar days, the AMC will reprocess the transaction under Direct plan from the date of application without any exit load.

### Dividend Policy

In the interest of the Scheme and the unitholders the AMC may consider providing returns to the unitholders at appropriate times by way of periodic declaration of dividend units under the Scheme after providing for all necessary recurring and other expenses. Distribution of dividend is subject to availability and adequacy of distributable surplus.

Only those unitholders whose names appear in the register of unitholders/beneficiary position received from Depositories as on the record date will be entitled for dividend. This date will be fixed by the AMC/Trustees appropriately.

The dividend warrants and/or fresh Account Statement with the dividend reinvestment units shall be dispatched /credited to the unit holders within 30 days or such stipulated period of the declaration of dividend units. In the event of delay the AMC shall pay to the concerning investors; interest @15% p.a. for such number of days beyond the specified period of 30 days.

Dividends will be paid net of taxes as may be applicable, and payments will be in favour of the Unitholder's registered name or, if there is more than one registered holder, of the first named registered holder on the original application form. The trustees may not declare a dividend at all in the event of inadequacy of distributable income. There is no assurance or guarantee to unitholders as to the

	<p>periodicity of dividend, rate of dividends distribution nor that dividend will be regularly paid.</p> <p>All benefits accruing/earned/received under the Scheme in respect of income (not included in NAV), capital reserves and surpluses, if any, at the time of its/their declaration or otherwise under the Scheme shall be available only to the unitholders who hold the units at the time of its/their declaration.</p> <p>Since distribution of dividend units shall be paid from the distributable surplus, the NAV of the Scheme shall be adjusted to the extent of dividend paid.</p>
<p><b>Allotment</b></p>	<p><b>Allotment :</b></p> <p>Allotment of units will be made not later than 5 business days from the closure of the New Fund Offer. The allotment will be made to all applicants provided the applications received are complete in all respects. An offer to purchase units is not binding on, and may be rejected by AMC.</p> <p><b>Account Number/Statement:</b></p> <p>An applicant whose application has been accepted shall have the option either to receive the statement of accounts or to hold units in dematerialised form. The asset management company shall dispatch, an account statement specifying the number of units allotted to the applicant who has opted to receive statement of accounts or allotment advice to an applicant who has opted to hold units in dematerialized form respectively, as soon as possible but not later than 5 business days from the date of closure of the NFO.</p> <p>A confirmation shall be sent specifying the number of units allotted to the unit holder by way of e-mail and/or SMS's to the unit holder's registered email address and/or mobile number (where provided by the Unitholder) as soon as possible but not later than five business days from the date of closure of NFO.</p> <p>Where a unit holder may have provided his e-mail address for receipt of mandatory documents and updates, an account statement reflecting the units allotted to the Unitholder shall be sent on such registered e-mail address as soon as possible but not later than 5 business days from the date of closure of the NFO.</p> <p>Account Statement will also be issued to those unitholders who opt for allotment of units in demat form or where the units are not credited to their demat account(s) for any reason whatsoever.</p> <p>For trading in units, the unitholders are required to have a demat account.</p> <p>An Account Statement so issued shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the scheme and is a non-transferable document.</p> <p><b>Common Account Number:</b></p> <p>As a unitholder friendly measure, (if so desired by the investor), one Common Account Number will be assigned for an investor investing in different schemes of the Fund. In such a case, one consolidated account statement will be provided. Once set up as per the request made by the investor, the AMC reserves the right to assign the existing Common Account Number against multiple applications and/or</p>



	<p>subsequent purchases under a new application form by an existing unitholder, with identical mode of holding and address.</p> <p>An Account or Transaction Statement reflecting the unit balance of the unitholder will be mailed to the unitholder by ordinary post, after every financial transaction is effected.</p> <p><b>Unit Certificates</b></p> <p>Normally no unit certificates will be issued under the Scheme. However, if the unitholder so desires, the AMC shall issue a non-transferable unit certificate to the unitholder within 30 days of the receipt of request for the certificate. The cost of stamp duty paid for issuing the unit certificate will form part of the annual ongoing expenses and/or may be recovered from the Unitholder.</p> <p><b>Units With Depository</b></p> <p>The unitholders can dematerialise their holding at any time by making an application to their Depository Participant by filling up the Dematerialisation Request Form (DRF). The AMC shall issue units in demat form to the unitholder within 2 business days of receipt of request from unitholder.</p> <p>The same number of Units held in the physical mode shall be continued in the demat mode. The expenses incurred by the AMC in dematting of the referred units may be recovered from unitholders or may be charged to the scheme as per annual recurring expenses.</p> <p><b>Rematerialisation of Demat Units</b></p> <p>The unitholders who converted their units in demat mode may also rematerialize their units. The request for rematerialising the demat Units may be given to the respective Depository Participant (DP) of the investor. On receiving the confirmation of Remat Units balance, account statement for the physical Units shall be issued. The same number of Units held in the demat mode shall be continued in the physical mode. Rematerialisation of demat Units shall be processed within the thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects.</p>
<b>Refund</b>	<p>If application is rejected, full amount will be refunded within 5 business days of closure of NFO. If refunded later than 5 business days, interest @ 15% p.a. for delay period will be paid and charged to the AMC.</p> <p>If the Scheme fails to collect the minimum subscription amount, the Fund shall be liable to refund the money to the applicants.</p>
<p><b>Who can invest</b></p> <p>This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.</p>	<p>The following persons (subject wherever relevant to, purchase of Units being permitted under their respective constitutions and relevant State Regulations) are eligible to apply for purchase of units under the Scheme.</p> <p>(i) Resident Indian Nationals who are :</p> <ul style="list-style-type: none"> <li>○ Adult individuals as sole holder,</li> <li>○ Adult individuals not exceeding three jointly or on an either/anyone or survivor basis.</li> <li>○ Parents/Lawful guardians on behalf of Minors.</li> <li>○ Partnership Firms</li> <li>○ Hindu Undivided Families(HUF), through their Karta acting or on behalf of the HUF</li> <li>○ Institutions, Companies, Bodies Corporate, Public Sector Undertakings, Societies registered under the Societies Registration Act 1860, or Co-</li> </ul>

operative Societies, subject to their byelaws permitting them to invest in the units of the mutual fund.

- Banks (including Co-operative Banks and Regional Rural Banks), Funds, Financial and Investment Institutions
- Religious and Charitable Trusts, drafts or endowments and Private Trusts, under the provisions of Section 11(5) of Income tax Act, 1961 read with Rule 17(C) of Income tax Rules 1962 registered under the Societies Registration Act/Indian Trusts Act, Trustees of Private Trusts authorized to invest in mutual fund schemes under their trust deeds
- Scientific and Industrial Research Organizations
- Association of Persons/Body of Individuals, whether incorporated or not
- Army/Air Force/Navy, other paramilitary units and bodies created by such institutions besides other eligible institutions
- Mutual Funds registered with SEBI

ii) Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India.

iii) Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a Mutual Fund registered with SEBI and which arrangement is approved by the Central Government.

iv) Non-Resident Indians (NRIs)/FIIs and Persons of Indian origin residing abroad (except persons covered under “Who cannot invest?” section below) , on a full repatriation basis or non-repatriation basis. Presently OCBs cannot invest in domestic mutual funds pursuant to RBI A.P.(DIR Series) Circular No.14 dated September 16, 2003.

v) Foreign Institutional Investors (FIIs)

vi) Such other individuals/institutions/body corporate, etc. as may be decided by the Fund from time to time, so long as wherever applicable they are in conformity with regulations.

vii) Other Schemes of Principal Mutual Fund subject to the conditions and limits prescribed by applicable SEBI Regulations

viii) The Trustees/Trust, AMC or Sponsor or its affiliates, its associate companies and subsidiaries may also subscribe to the units under this Fund.

ix) Provident/Pension/Gratuity/Superannuation Fund(s) and such other retirement and employee benefit and other similar Funds.

x) Foreign Portfolio Investor (FPI) registered with SEBI.

xi) Qualified Foreign Investor (QFI) subject to the conditions prescribed by SEBI, RBI, any other regulatory authorities and the AMC from time to time.

QFI shall mean a person who fulfills the following criteria:

(i) Resident in a country that is a member of Financial Action Task Force (FATF) or a member of a group which is a member of FATF; and

(ii) Resident in a country that is a signatory to IOSCO's MMOU (Appendix A Signatories) or a signatory of a bilateral MOU with SEBI:

Provided that the person is not resident in a country listed in the public statements issued by FATF from time to time on-(i) jurisdictions having a strategic Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) deficiencies to which counter measures apply, (ii) jurisdictions that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. Provided further such person is not resident in India. Provided further that such person is not registered with SEBI as Foreign Institutional Investor or Sub-account or Foreign Venture Capital Investor.

Explanation.-For the purposes of this definition:

(1) The term "Person" shall carry the same meaning under section 2(31) of the Income Tax Act, 1961; (2) The phrase "resident in India" shall carry the same meaning as in the Income Tax Act, 1961; (3) "Resident" in a country, other than India, shall mean resident as per the direct tax laws of that country. (4) "Bilateral MoU with SEBI" shall mean a bilateral MoU between SEBI and the overseas regulator that inter alia provides for information sharing arrangements. (5) Member of FATF shall not mean an Associate member of FATF

The Trustees may accept an application from an unincorporated body of persons/trusts. The Trustees may from time to time add and review the persons eligible for making application for purchase of units under the Scheme.

The Scheme has not been and will not be registered in any country outside India. To ensure compliance with any domestic / international Laws, Acts, Enactment, etc. including by way of Circulars, Press Releases, or Notifications of Government of India, the Fund may require/give verification of identity/any special/additional subscription-related information from/ of the unitholders (which may result in delay in dealing with the applications, Units, benefits, distribution, etc./giving subscription details, etc.). Each unitholder must provide such information asked for and also represent and warrant to the Trustees/AMC that, among other things, he is able to acquire Units without violating applicable laws. The Trustees will not knowingly offer or sell Units to any person to whom such offer or sale would be unlawful, or might result in the Fund incurring any liability or suffering any other pecuniary disadvantages which the Fund might not otherwise incur or suffer. Units may not be held by any person who fails to provide the information called for or in breach of the law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations. The AMC/Trustees may compulsorily redeem any Units held directly or beneficially by any person who fails to provide the information called for or found to be held in contravention of these requirements / prohibitions. In view of the individual nature of investment portfolio and its consequence, each unitholder is advised to consult his/her own professional advisor concerning possible consequences of purchasing, holding, selling, converting or otherwise disposing of the Units under the laws of his/her state/country of incorporation, establishment, citizenship, residence or domicile.

Kindly note that neither the Statement of Additional Information; nor this Scheme Information Document, nor the Application for the Units, nor the Units ("these Documents") have been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to

	<p>registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Document or any part/portion thereof as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used without compliance with any registration or other legal requirements. Accordingly, none of these Documents (including or any part/portion thereof) constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.</p>
<p><b>Who cannot invest</b></p>	<p>It should be noted that the following persons cannot invest in the Scheme:</p> <ol style="list-style-type: none"> <li>1. Any person who is a foreign national;</li> <li>2. United States Persons within the meaning of Regulation ‘S’ under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission or as defined under Foreign Account Tax Compliance Act (FATCA) or as defined under any other extant laws of the United States of America or as per such further amended definitions, interpretations, legislations, rules etc, as may be in force from time to time and Persons resident of Canada</li> <li>3. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These would be firms and societies, which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs).</li> <li>4. Religious and charitable trusts, wakfs or other public trusts that have not received necessary approvals and a private trust that is not authorised to invest in Mutual Fund schemes under its trust deed. The Mutual Fund will not be responsible for or any adverse consequences as a result of an investment by a public or a private trust if it is ineligible to make such investments.</li> <li>5. Any other person determined by the AMC or the Trustee as not being eligible to invest in the Scheme.</li> </ol> <p>The Fund reserves the right to include / exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any.</p> <p>As Units may not be held by any person in breach of the SEBI Regulations, any law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations, the Mutual Fund / Trustee / AMC may mandatorily redeem all the Units of any Unitholder where the Units are held by a Unitholder in breach of the same.</p>

	<p>The Mutual Fund / Trustee / AMC may redeem Units of any Unitholder in the event it is found that the Unitholder has submitted information either in the application or otherwise that is false, misleading or incomplete.</p> <p>Note:</p> <ol style="list-style-type: none"> <li>1. RBI has vide Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, granted a general permission to NRIs / Persons of Indian Origin residing abroad (PIOs) and FIIs for purchasing / redeeming Units of the mutual funds subject to conditions stipulated therein.</li> <li>2. Returned cheques are liable not to be presented again for collection, and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges are liable to be debited to the investor</li> </ol>
<b>Where can you submit the filled up applications.</b>	<p>During the NFO period the applications filled up and duly signed by the applicants should be submitted at the offices of AMC or Karvy Computershare Private Limited ('Karvy') - Registrar and Transfer Agent, which have been identified as ISCs / Official Points of Acceptance and whose names and addresses are mentioned on the last/back cover page of this SID.</p> <p>The Office of the Registrar &amp; Transfer Agent, Karvy Computershare Private Limited is located at 'Karvy Registry House, #8-2-596, Avenue 4, Street No.1, Banjara Hills, Hyderabad – 500034.'</p> <p>Investors may also apply through the ASBA facility by filling in the ASBA form and submitting the same to their respective banks, which in turn will block the amount in the account as per the authority contained in the ASBA form. ASBA is offered by selected Self Certified Syndicate Banks (SCSBs) which are registered with SEBI for offering the facility. Please refer last page for the list of the SCSB's. Investors are requested to check with their respective banks about the availability of the ASBA facility. For the complete list of controlling / designated branches of above mentioned SCSB's, please refer to the websites of SEBI, BSE and NSE at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>, <a href="http://www.bseindia.com">www.bseindia.com</a> and <a href="http://www.nseindia.com">www.nseindia.com</a>.</p>
<b>How to Apply</b>	Please refer to the SAI and Application form for the instructions.
<b>Listing</b>	Being an open ended scheme under which Sale and Redemption of Units will be made on continuous basis by the Fund, the Units of the Scheme are not proposed to be listed.
<b>Cash Investments in the Scheme</b>	Pursuant to SEBI circulars dated September 13, 2012 and SEBI circular dated May 22, 2014, it is permitted to accept cash transactions to the extent of Rs. 50,000/- subject to compliance with Prevention of Money Laundering Act, 2002 and Rules framed there under and the SEBI Circular(s) on Anti Money Laundering (AML) and other applicable AML rules, regulations and guidelines. Provided that the limit shall be applicable per investor for investments done in a financial year across all schemes of the Mutual Fund, subject to sufficient systems and procedures in place for such acceptance. However any form of repayment either by way of redemption, dividend, etc. with respect to such cash investment shall be paid only through banking channel.

	<p>The AMC is in process of implementing adequate systems and controls to accept Cash Investment in the Scheme. Information in this regard will be provided to Investors as and when the facility is made available.</p>
<p><b>Minimum amount for purchase/redemption/switches</b></p>	<p><b>New Investor</b> - Rs. 5,000/- for both Dividend and Growth Option under both the Plans and in multiples of Re. 1 thereafter under each option.</p> <p><b>Additional Purchase</b> - Rs.1000/- and in multiples of Re. 1 thereafter under each Plan / Option.</p> <p><b>Systematic Investment Plan:</b> Minimum Six installments of Rs. 2,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Transfer Plan:</b> Minimum Six installments of Rs. 1,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Withdrawal Plan:</b> Minimum Six installments of Rs. 500/- each and in multiples of Re. 1 thereafter</p> <p><b>Minimum Redemption / Sale Amount:</b> Rs 500/- or 50 units or account balance whichever is less.</p>
<p><b>Special Products / facilities available during the NFO</b></p>	<p>The Fund reserves the right to amend or terminate or introduce special facilities in the SID. The current special facilities offered in the Scheme are as follows:</p> <p><b>1. Switching Option</b></p> <p>Investors can opt to switch between Regular Plan &amp; Direct Plan and Options therein, at NAV based prices. Switching will also be allowed into/from other select open ended scheme(s) managed under the Fund, either currently in existence or the scheme(s) that may be launched in the future at NAV based prices.</p> <p>In the case of NRIs, FIIs, etc. this will be subject to necessary approval (if any) from the Reserve Bank of India and any other approval as applicable. Tax deduction at source, if any, will be effected at the appropriate rate in case of a switch and the balance amount would be utilized to exchange units to the other Scheme.</p> <p>A request for switch may be specified either in terms of amount or in terms of the number of units of the scheme/plan/option from which the switch is sought. Such instructions may be provided in writing by completing the switch form or using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement and lodging the same on any business day at any of the designated Official Points of Acceptance. The switch will be effected by redeeming units from the scheme(s) in which the units are held and investing the net proceeds in the other Scheme, subject to the minimum balance applicable for the respective Scheme(s).</p> <p><b>2. Systematic Investment Plan</b></p> <p>Systematic Investment Plan (SIP) is available for planned and regular investments. Under SIP, unit holders can benefit by investing specified rupee amounts</p>



periodically for a continuous period. This concept is called Rupee Cost Averaging. This program allows unit holders to save a fixed amount of rupees every month/quarterly by purchasing additional units of the Scheme.

### Example

Let us take an example of a unit holder who invests Rs. 3000/- per month

Month	NAV	Amount (R)	Units
April 1	10.50	3000	285.71
May 1	10.65	3000	281.69
June 1	10.05	3000	298.50
July 1	9.75	3000	307.69
August 1	9.60	3000	312.50
September 1	9.50	3000	315.79
October 1	9.25	3000	324.32
November 1	9.05	3000	331.49
December 1	8.90	3000	337.08
January 1	8.75	3000	342.86
February 1	8.50	3000	352.94
March 1	8.80	3000	340.91
TOTAL		36000	3831.48

Note: The figures of NAV are hypothetical and are for illustrative purposes only. At the end of one year the unitholder would have 3831.48 units.

Rupee Cost Averaging does not guarantee a profit nor protect against a loss. Rupee Cost Averaging can smooth out the market's ups and downs and reduce the risk of investing in volatile markets.

### Features of the SIP

1. SIP Applications will be accepted on any working day of the month. Accordingly the units will be allotted on the date of receipt of valid SIP Application along with a SIP investment cheque dated not beyond the date of the Application. Thereafter the date for the first SIP installment shall be 1<sup>st</sup>, 5<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup> of a particular month ("specified dates for SIP investments") as selected by the Investor OR the nearest date amongst the Specified Date subsequent to receipt of the application, as the case may be after completing a minimum time gap of 30 days from the date of the first SIP investment cheque. E.g. If a duly completed SIP enrolment is received within the applicable cut-off timings on January 27, 2013 along with a valid cheque dated not beyond January 27, 2013, for a SIP investment of Rs.2,000/- per month (together with 5 or more post dated cheques each for a minimum of Rs. 2,000/-), units will be allotted on January 27, 2013 with the scheme applicable NAV, and the next SIP date [first SIP Installment date] will be March 1, 2013 or immediately following business day if March 1, 2013 is a non-business day OR such other date amongst the Specified Dates as per the application form.
2. Investors, who wish to opt for ECS (debit clearing) facility available with select banks, should ensure that there is a minimum time gap of 30 days between the first cheque for SIP enrolment and first installment of SIP through ECS or Direct Debit. Dishonoured cheque(s) may not be presented again for collection.

3. Unit holders need not submit a copy of cancelled cheque provided the SIP Auto Debit Facility Enrolment Form is attested by the Bank from which SIP installments will be debited.
4. Unit holders have the right to discontinue the SIP facility at any time by sending a written request to any of the designated Investor Service Centers (ISCs) of Principal Mutual Fund. Please also note that notice of such discontinuation should be received at least 18 working days prior to the due date of the next SIP installment.
5. SIP enrolment will be discontinued by AMC in case [a] the SIP installment is not honored consecutively for three SIP installments [b] if any installment of a SIP transaction gets rejected due to the bank account of the Investor being closed, the SIP would be suspended for subsequent SIP transactions and registration will be cancelled for SIP through Auto Debit / Post Dated Cheques (PDCs)/ Direct Debit / Standing Instructions (SIs) [c] the Bank account [for ECS (Debit Clearing) and / or Direct Debit / Standing Instruction and / or PDCs for direct debit] is closed and the request for change in bank account / Bank Branch is not submitted by the concerned unit holder at least 15 working days before the due date of next SIP installment[d] if the Bank account is frozen for further commercial transaction by the Bank. Further, in such cases the balance cheques, if any, will be returned to the unit holder.

#### Micro SIP:

Pursuant to SEBI's communication to AMFI vide its letter dated June 19, 2009; AMFI has issued guidelines for uniform implementation of the said SEBI letter. In accordance to the same, Systematic Investment Plans (SIP) up to Rs. 50,000/- per year per investor ('Micro SIP') shall be exempt from requirement of PAN.

This exemption will be applicable ONLY to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms. HUFs and other categories will not be eligible for Micro SIPs. Details on Micro SIP are available in Statement of Additional Information.

However, effective January 1, 2012, new Investors registering for Micro SIP have to mandatorily submit KYC acknowledgement letter.

#### **Systematic Investment Plan (SIP) for Corporate Employees.**

With a view to encourage employees of Corporate to invest their savings into the various Schemes of our Mutual Fund, Principal Mutual Fund provides an investment facility to the employees of Corporate under the Employee Savings Plan (ESP).

This feature will be guided by the terms and conditions as laid down below:

1. Under this feature the employees can submit application vide the normal application and/or ESP Forms. The employee is required to fill the details in the normal application/ ESP form providing the details of amount and duration of such SIP installments and the details of such investment should also be provided to the Human Resources Department of such Corporate (HRD).



2. The employees should instruct the HRD to deduct the amount of Investment every month / quarter from their salary for such period as indicated by him / her. Such periodicity shall be monthly or quarterly.
3. The minimum amount and periodicity, to be contributed to open an account under this option is as per the minimum scheme requirements as prescribed under Systematic Investment Plan/additional subscription of the Scheme.
4. The periodic employee contribution should be the minimum application amount and the same should be higher than that of SIP. The employee has an option to select either 1st or 5th of every month for such investment.
5. The employee can seek redemption independently.
6. The applicable NAV for application received under such plan, will be as per the date and time (refer to section on cut off timing) on which the request / payment instrument and sheet detailing the list of Investment of such employees, is received from HRD of such Employees at the Official Points of Acceptance of AMC .

### **3. Systematic Withdrawal Plan**

A unitholder may avail of the Systematic Withdrawal Plan and receive regular payments from the account. The unitholder has an option to select 1st, 11th or 21st day of the month on which the Systematic Withdrawal is to be made.

The unitholder may set up a Systematic Withdrawal Plan on a monthly, quarterly or semi-annual or annual basis as follows:

- Redeem a fixed number of units
- Redeem a fixed amount

Once the unitholder sets up a Systematic Withdrawal Facility the plan would continue until:

- The unitholder instructs the Fund to stop periodic withdrawal in writing; or
- The unitholder's account balance is zero
- On expiry of the time/period specified by the unitholder

Withdrawal payments will be endeavoured to be sent within 3 Business Days after the repurchase date.

The minimum balance amount needed for the Systematic Withdrawal Plan may be altered from time to time at the discretion of the AMC.

### **4. Systematic Switch/Transfer Plan**

The unitholder may set up a Systematic Switching/Transfer Plan (STP) on a monthly, quarterly, semi-annual or annual basis to exchange a fixed number of units and /or amount in one scheme to another scheme or one plan/option to another.

Once the unitholder sets up a Systematic Switching / Transfer Plan the plan would continue until:

- the unitholder instructs the Fund to stop periodic switching in writing; or
- the unitholder's account balance is zero.

The unitholder has an option to select 1st, 11th or 21st day of the month on which the Systematic Switch is to be made.

If the selected date is not a business day, the switch will take place on the next business day.

In case of daily and weekly frequency, STP will take place as under:

Daily – Each Business Day

Weekly – Every Monday\*

\* Next Business Day if Monday is a non-business day.

All switches are subject to the minimum investment and eligibility requirements of the switch in scheme.

The amount thus switched shall be converted into the respective scheme units at the applicable NAV, subject to an exit load, if any (on which date the payment/switch is scheduled), and such units will be subtracted from the unit balance of that unitholder.

The minimum balance amount needed for the Systematic Switch Plan may be altered from time to time at the discretion of the AMC.

Unitholders may change the amount of systematic withdrawal/switch but not below the specified minimum amount of repurchase for a particular Scheme by giving 30 days written notice to the Registrars/AMC. The various triggers for activating a systematic withdrawal and/or switch facility can also be used for activating a normal repurchase and/or switch facility

## **5.TRANSACTIONS THROUGH STOCK EXCHANGE MECHANISM (After the Scheme reopens for subscriptions/redemptions after the closure of the NFO period)**

The Scheme [except Direct Plan and Sweep facility under Dividend Option of Regular Plan] will be admitted on the order routing platform of NSE, enabling investors to submit applications for subscription and redemption there under.

The salient features of this facility are as follows:

1. Purchase/redemption of units will be available to both existing and new investors. Currently switching of units, Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan will not be permitted through this facility.
2. The list of eligible schemes is subject to change from time to time.
3. In order to facilitate transactions through stock exchange infrastructure, NSE has introduced Mutual Fund Service System (MFSS). All trading members of NSE registered as Participants with NSE [Eligible Brokers] and/or registered Clearing Members of National Securities Clearing Corporation Limited

(NSCCL) [Clearing Members] who are registered with AMFI as mutual fund advisors and who are empanelled with Principal Pnb Asset Management Company Pvt. Ltd. (AMC) will be eligible to offer this facility to the investors. Further, only for the purpose of processing redemption request Depository Participant of Depositories who are registered with AMFI as mutual fund advisors and empanelled with AMC are eligible for processing redemption transaction

Eligible investors who are willing to transact under this facility are required to register themselves with Eligible Broker/Clearing Members/Depository Participants.

4. The units of eligible schemes are not listed on NSE and the same cannot be traded on stock exchange like shares. The window for purchase/ redemption of units on NSE will be available between 9.00 a.m. to 3.00 p.m. or such other timings as may be decided.
5. All Eligible Brokers/Clearing Members/Depository Participants will be considered as the Official Point of Acceptance for the transactions done under this facility.
6. Investors have an option to hold units in physical form or in dematerialized form.
7. International Security Identification Number (ISIN) in respect of plans/options of the eligible schemes have been created and admitted in National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
8. Investors will be able to purchase/redeem units in the eligible schemes in the following manner:

I. Physical Form:

- (a) Investors desirous of transacting (subscription/redemption) through NSE should approach an Eligible Broker along with duly filled in application form and other documents (including KYC and PAN) as may be required. The payment for subscription should be made to the eligible broker.
- (b) Dispatch of accounts statements and payment of redemption proceeds will be made by the Mutual Fund / registrar directly to the investor. Based on the information provided by the investor the redemption payout shall be to the investor's bank account registered with the Mutual Fund.
- (c) In case of a subscription transaction, the allotment of units will be on 'Provisional' basis till the time AMC/Karvy Computershare Pvt. Ltd. (registrar) has received all the required documents from the eligible brokers. Any application for redemption of units so allotted on provisional basis will be rejected.
- (d) In case investor desires to convert the existing physical units into dematerialize form, the request for the same will have to be submitted to the Depository Participant.

II. Dematerialized Form:

- (i) Eligible investors having a beneficiary account with a Depository Participant may avail the facility to subscribe units in dematerialize form.

- (ii) Eligible investor desirous in transacting (Subscription / redemption) through NSE should place an order with Eligible Broker/Clearing Member/Depository Participant:-
- (a) In case of subscription, the payment of subscription money should be made to the Eligible Broker / Clearing Member. Investors shall receive units through Eligible Broker / Clearing Member's pool account. Principal Mutual Fund (PMF) / Principal Pnb Asset Management Company Private Limited (PAMC) would credit the units to Eligible Broker / Clearing Member's pool account and the Eligible Broker/Clearing member in turn to the respective investor.
  - (b) In case of redemption, investors shall receive redemption amount through Eligible Broker / Clearing Member's /Depository Participant's pool account. Payment of redemption proceeds will be made by PMF / PAMC to the Eligible Broker / Clearing Member /Depository Participant and the Eligible Broker / Clearing Member/Depository Participant in turn to the respective Investor.
- Payment of redemption proceeds to the Eligible Broker/Clearing Members/Depository Participant by PMF / PAMC shall discharge PMF / PAMC of its obligation of payment to individual investor. Similarly, in case of subscription, crediting units into Eligible Broker/Clearing Member pool account shall discharge PMF / PAMC of its obligation to allot units to individual investor.
9. Applications for purchase/redemption of units which are incomplete / invalid are liable to be rejected.
  10. For any complaints or grievances against the Eligible Broker / Clearing Member / Depository Participant with respect to transactions done through NSE, the investor should either contact the concerned Eligible Broker / Clearing Member/Depository Participant or Investor Grievance Cell of NSE. In case of non-financial request/applications such as change in address, change in bank details etc. the investors should approach Investors Service Centers of Principal Mutual Fund if units are held in physical mode and the respective Depository Participant if the units are held in dematerialized mode.
  11. Investors will have to comply with KYC norms as prescribed by NSE/CDSL/NSDL and Principal Mutual Fund from time to time.
  12. The applicability of NAV will be subject to guidelines issued by SEBI on uniform cut-off timings for applicability of NAV for Mutual Funds Scheme(s)/plan(s).
  13. This facility shall be subject to the terms and conditions specified and guidelines issued by SEBI/AMFI/NSE from time to time.
  14. AMC reserves the right to change / modify or discontinue this facility at any time in future.

## 6. TRIGGERS

Under this facility, the unit holders may opt for withdrawal and/or switch in the normal manner based on the value of investment either reaching upto or below or above/beyond a specified particular value; the capital appreciation/gains realization either equals to or becomes more/lower than a specified particular amount or percentage on happening of a particular event, on a particular date etc. (subject to applicable lock in period, if any). Alerts act as a financial planning tool for information. The unit holder may subsequently continue in the scheme or otherwise withdraw/switch. For e.g. an account may be monitored and the unit holder either informed or account redeemed (no redemption will be permitted if under lock-in) as and when the balance reaches or crosses (rise or fall) a desired value or after a certain period of time etc. This helps the unit holders to minimise the loss and/or book timely profits. In case of triggers linked with events/dates, on realisation of gains (equal to/beyond/lower than), a specified amount/full amount/gains/appreciation etc. would be redeemed and paid either when the investment reaches upto and/or beyond (above or below) a particular value or after a particular period of time.

In case of triggers linked with gains/appreciation, at the option of the unit holder, either the amount equivalent to gains/appreciation would be redeemed or the full original investment amount would be redeemed and the gain/appreciation component paid to the unit holder/switched into other scheme/plan, and the original investment amount would be reinvested either in the same scheme/plan or any other scheme/plan.

#### **Activation of Trigger**

Unit holders shall note that NAV of a scheme is determined on close of the business day taking into consideration closing prices of the securities on the primary stock exchange (*please refer to clause on "Valuation Policy" in the SAI & "Computation of NAV" in the SID*). Intra day prices are not considered for valuing the scheme's portfolio. Value of the unit holder's unit balance at the end of a relevant business day based on that day's NAV and closing value of a relevant index of a stock exchange would be used as a base for activating the triggers. However all redemptions/switches/reinvestments etc. linked to such triggers will always be at the applicable NAV based prices of the day on which the event occurs.

Please also note that the trigger is an additional facility provided to the unit holders to save time on completing the redemption/switch formalities on happening of a particular predetermined event. Trigger is not an assurance on part of AMC/Fund to the investor that he/she will receive a particular amount of money/appreciation and/or a percentage on redemption or will get a particular amount of capital appreciation or will minimise the loss to investor to a particular amount or percentage. Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors on the date of happening of the event. In actual parlance, a trigger will activate a transaction/alert when the event selected for has reached a value greater or less than the specified particular value (trigger point).

Unit holders can opt from any one of the following event under trigger option:

1. *When value of investment of the unit holder reaches or crosses a particular value/falls to or closes below a particular value*

Eg. **Investment Value reaches or crosses Rs.11000/-**

Trigger Activation

If investment value at NAV based price is less than Rs.11,000/-, trigger will be activated when value of the units at NAV held by unit holders rises to Rs.11000/- or more on close of any business day.

**Eg. Investment Value falls to or closes below Rs.11000/-**

If investment value at NAV based price is more than Rs.11,000/-, trigger will be activated when value of the units at NAV held by unit holders falls to Rs.11000/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of units held by unit holders reaches or crosses or falls below Rs.11,000/-.

*2. Capital appreciation of a particular amount*

**Eg. Capital appreciation by Rs.1000/-**

Trigger Activation

Trigger will be activated when value of units invested at NAV based price appreciate by Rs.1000/- or more at NAV on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which value of investment held by unit holders increases by at least Rs.1000/-.

*3. NAV reaches or crosses a particular value*

**Eg. NAV reaches or crosses Rs.11/-**

**Or when NAV falls to or closes below Rs.11/-**

Trigger Activation

If NAV on the date of allotment of investment is less than Rs.11/-, trigger will be activated when NAV rises to Rs.11/- or more on close of any business day. If NAV on the date of allotment of investment is more than Rs.11/-, trigger will be activated when NAV falls to Rs.11/- or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which NAV reaches or crosses or falls below Rs.11/-.

*4. BSE Sensex reaches or crosses a particular value*

**Eg. BSE Sensex reaches or crosses 16000**

**Or when BSE Sensex falls to or closes below 16000**

Trigger Activation

If BSE Sensex on the date of allotment of investment is less than 16000, then trigger will be activated when BSE Sensex rises to 16000 or more on close of any business day. If BSE Sensex at the time of investment is more than 16000, then trigger will be activated when BSE Sensex falls to 16000 or below on close of any business day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the BSE Sensex reaches or crosses or falls to or closes below 16000 mark.

*5. NSE Nifty reaches or crosses a particular value*

**Eg. NSE Nifty reaches or crosses 5000**

**Or when NSE Nifty falls to or closes below 5000**

Trigger Activation

If NSE Nifty on the date of allotment of investment is less than 5000, then trigger will be activated when NSE Nifty rises to 5000 or more on close of any business day. If NSE Nifty on the date of allotment of investment is more than 5000, trigger will be activated when NSE Nifty falls to 5000 or below on close of any business

day. All transactions linked with trigger will be on the basis of NAV of the business day on which close of day the NSE Nifty reaches or crosses or falls below 5000 mark.

*6. On a particular day or date*

**Eg. On 31/1/2013**

**Trigger Activation**

Trigger will be activated on 31/1/2013. All transactions linked with trigger will be on the basis of NAV of 31/1/2013 or on 1/2/2013 if 31/1/2013 is not a business day.

*7. Change in the value of units (held by unit holders) at least by certain percentage*

**Eg Change in Investment Value at least by (+ or — or +/-) 10%**

**Trigger Activation**

Trigger will be activated when value of the units at NAV based price invested by unit holders rises to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders falls by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either rises by 10% or more at NAV or falls by 10% or more on close of any business day.

Percentage rise or fall in value of units will be calculated on the amount invested by the unit holders.

*8. Capital appreciation of at least a certain percentage*

**Eg. Capital appreciation of at least (+ or — or +/-) 10%**

**Trigger Activation**

Trigger will be activated when value of the units at NAV based price invested by unit holders appreciate to 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders depreciates by 10% or more at NAV on close of any business day; or Trigger will be activated when value of the units at NAV based price invested by unit holders either appreciates by 10% or more at NAV or depreciates by 10% or more at NAV on close of any business day.

Difference between the value of units on close of a business day (at NAV) and amount invested (at NAV based price) will be used as a base for calculating percentage of capital appreciation.

*9. Change in the NAV at least by a certain percentage*

**Eg. Change in NAV at least by (+ or — or +/-) 10%**

**Trigger Activation**

Trigger will be activated when the NAV of the units rises by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment; or Trigger will be activated when the NAV of the units either rises by 10% or more or falls by 10% or more on close of any business day compared with the NAV on the date of allotment of investment



**Percentage rise or fall in NAV will be calculated comparing NAV on a particular business day with the NAV on the date of allotment of investment.**

*10. Change in the BSE Sensex at least by a certain percentage*

**Eg. Change in BSE Sensex at least by (+ or — or +/-) 10%**

Trigger Activation

Trigger will be activated when the BSE Sensex rises by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment; or Trigger will be activated when the BSE Sensex either rises by 10% or more or falls by 10% or more on close of any business day compared with the BSE Sensex on the date of allotment of investment.

Percentage rise or fall in BSE Sensex will be calculated comparing BSE Sensex on a particular business day with the BSE Sensex on the date of allotment of investment.

*11. Change in the NSE Nifty at least by a certain percentage*

**Eg. Change NSE Nifty at least by (+ or — or +/-) 10%**

Trigger Activation

Trigger will be activated when the NSE Nifty rises by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment; or Trigger will be activated when the NSE Nifty either rises by 10% or more or falls by 10% or more on close of any business day compared with the NSE Nifty on the date of allotment of investment.

**Percentage rise or fall in NSE Nifty will be calculated comparing NSE Nifty on a particular business day with the NSE Nifty on the date of allotment of investment;**

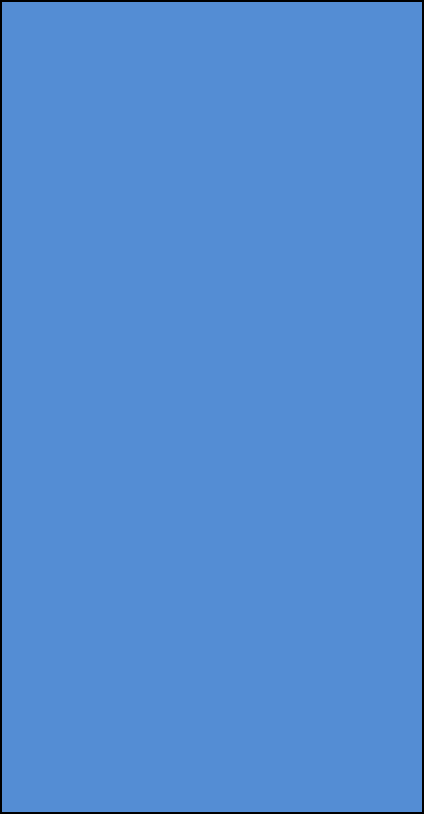
On happening of any of the above mentioned events, the Unit holder can opt for the following action on the date of happening of the relevant event;

- Full redemption
- Redemption of gains only
- Full switch into other Scheme/Plan / Option of Principal Mutual Fund
- Switch of only gains into other Scheme / Plan/Option of Principal Mutual Fund
- Full Redemption: Original investment amount reinvested in any scheme of Principal Mutual Fund and gains paid to unit holder
- Full redemption: Gains reinvested in any Scheme/Plan/Option of Principal Mutual Fund and investment amount paid to unit holder
- Redemption of certain number of units
- Redemption of certain amount

Transactions linked with the triggers will be at the applicable NAV based price of the business day on which the event takes place. Further all the predetermined events i.e. the value of the unit balance, capital appreciation, NAV, BSE Sensex, NSE Nifty will be compared with the value of units, NAV, BSE Sensex and NSE Nifty prevailing on the date of investment (i.e. date of allotment) irrespective of the fact whether the trigger is opted on the date of allotment of investment or subsequently.. For eg an investor has invested at Rs.11/- and opted for full



	<p>redemption if NAV appreciates at least by 10%. Trigger will be activated on the business day when NAV moves to Rs.12.10 (i.e. 10% more than Rs.11/-) or more.</p> <p>Triggers(s) linked to BSE Sensex or NSE Nifty will always compare the value of BSE Sensex or NSE Nifty on close of business day. In case BSE or NSE is open on a non-business day, its value will not be considered even if it reaches or crosses a trigger value, and on any subsequent business day if the value of BSE or NSE is reached, the same would be considered for trigger purposes. For eg. A unit holder has opted for full redemption if NSE Nifty reaches or crosses 5000 mark. If NSE is open on January 1, 2013, but it is not a business for the Fund, trigger will not be activated (i.e. redemption will not take place) even though closing value of Nifty as on January 1, 2013, is 5000 or more.</p> <p>The closing value of BSE Sensex/NSE Nifty on non-business day will be ignored for trigger activation. A trigger once activated will not be reactivated in any other scheme where the switch/reinvestment happens or in the same scheme which retains part of the value or in case of normal redemption/switch before trigger activation. Triggers will be deactivated on redemption and/or switch and/or pledge of units except in case where only gains are to be redeemed or switched and opted for the same in the trigger form.</p>
The policy regarding the issue of repurchased units including the maximum extent, manner of re-issue, the entity(the scheme or the AMC involved in the same)	The AMC does not intend to reissue the repurchased units.
Restrictions, if any, on the right to freely retain or dispose of units being offered.	<p><b>POSSIBLE DEFERRAL OF REDEMPTION/ REPURCHASE REQUESTS</b></p> <p>Whilst every effort will be made to ensure that the Scheme will have sufficient liquidity to enable the repurchase cheques to be collected/dispatched within the deadline stated in the foregoing clause, unit holders should note that where the Scheme is obliged to arrange for the disposal of the underlying securities/borrow, in order to satisfy redemption/repurchase requests, unit holders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/borrowing. However in any case, the Fund will ensure that the collection/dispatch of repurchase cheques is not delayed beyond ten working days (when Principal Mutual Fund is open for business) from the date of receipt of the repurchase request in accordance with Regulation 53(b) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.</p> <p><b>SUSPENSION OF SALE/REPURCHASE/SWITCH OPTIONS OF THE UNITS</b></p> <p>The Fund at its sole discretion reserves the right to withdraw sale, repurchase and/or switch of the units under the Scheme, temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable. However, the suspension of sale/repurchase/switch either temporarily or indefinitely will be made applicable only after the approval of the Board of Directors of the AMC and Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.</p> <p>The sale, repurchase and switch of the units may be temporarily suspended under any or all of the following conditions :</p>

- 
- Under uncertain conditions when the market (capital/stock/money etc. become extremely volatile and the AMC so decides in the best interest of the unit holders)
  - If the stock/money markets stop functioning or trading is restricted
  - Declaration of war or occurrence of insurrection, civil commotion or any other serious or sustained financial, political or industrial emergency or disturbance or any natural calamity
  - In extreme cases or complete breakdown or dislocation of business in the financial markets.
  - Breakdown in the means of communication used for the valuation of investments in the Scheme, without which the value of the securities held in the Scheme cannot be accurately calculated.
  - In the event of any force majeure or disaster that affects the normal functioning of the AMC or the ISC
  - SEBI by order so permits
  - During the period of Book Closure/Record Date
  - On a requisition made by three-fourth's of the unit holders.
- 
- If AMC views that enhancement in the size of the corpus further may prove detrimental to the existing unit holders of the Scheme.

**B. Ongoing Offer Details**

<b>Ongoing Offer Period</b> This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period.	The Scheme will reopen for subscriptions and redemptions with within 5 Business days from the date of Allotment
<b>Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors.</b>  <b>This is the price you need to pay for purchase/switch-in.</b>	At the applicable NAV
<b>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</b>  <b>This is the price you will receive for redemptions/switch outs.</b>	At the applicable NAV subject to prevailing exit loads.
<b>Cut off timing for subscription/redemptions/switches</b> This is the time before which your application (complete in all respects) should reach the Official Points of Acceptance	<b>Cut Off Time For Subscriptions/ Switch-in</b>  <u>Purchase/Switch-in for an amount less than Rs. 2 Lakh</u> <ul style="list-style-type: none"><li>• In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;</li><li>• In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and</li></ul> <u>Purchase/Switch-in for an amount of Rs. 2 Lakh and above</u> <ul style="list-style-type: none"><li>• In respect of valid application received before 3.00 p.m. on a business day and funds for the entire amount of purchase/switch-in as per the application are credited to the bank account of the Scheme and are available for utilization before the cut-off time, the closing NAV of the day on which the funds are available for utilization shall be applicable;</li><li>• In respect of valid application received after 3.00 p.m. on a business day and funds for the entire amount of purchase/switch-in as per the application are credited to the bank account of the Scheme and available for utilization before the cut-off time of the next business day, the closing NAV of the next business day shall be applicable;</li><li>• However, irrespective of the time of receipt of application, where the funds are not available for utilisation on the day of the application, the closing NAV of the Business Day on which the funds are available for utilisation before the cut-off time (3:00 p.m.) shall be applicable.</li></ul>

	<p>Further, in case of multiple applications for purchases/switch-ins in any of the Scheme (irrespective of its Plan/Option) for an aggregate investment amount equal to or more than Rs. 2 Lakh on the same business day, such application shall be consolidated at PAN level irrespective of the number of the total application amount of Rs. 2 Lakh and above to determine the NAV applicability.</p> <p><b>Cut Off Time For Redemptions / Switch-out</b></p> <ul style="list-style-type: none"> <li>• In respect of valid applications received upto 3.00 p.m. at the Official Points of Acceptance of Transactions, same day's closing NAV will be applicable</li> <li>• In respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable.</li> </ul> <p>The above cut-off timings shall also be applicable to investments made through "Sweep" mode available in the Dividend Option.</p> <p>Cut off time as mentioned above shall be reckoned at the Official Points of Acceptance of transactions as disclosed in the SID and the website <a href="http://www.principalindia.com">www.principalindia.com</a>.</p>
Where can the applications for purchase/redemption switches be submitted?	<p>The applications filled up and duly signed by the applicants should be submitted at the offices of AMC or Karvy Computershare Private Limited ('Karvy') - Registrar and Transfer Agent, which have been identified as ISCs / Official Points of Acceptance and whose names and addresses are mentioned on the last/back cover page of this SID.</p> <p>The Office of the Registrar &amp; Transfer Agent, Karvy Computershare Private Limited is located at Karvy Registry House, #8-2-596, Avenue 4, Street No.1, Banjara Hills, Hyderabad – 500034.</p>
Minimum amount for purchase/redemptions/switches	<p>Rs.5,000/- for both Dividend and Growth Option under each of the Plans and in multiples of Re. 1 thereafter under each option.</p> <p><b>Additional Purchase</b> - Rs 1000/- and in multiples of Re. 1 thereafter under each option</p> <p><b>Systematic Investment Plan:</b> Minimum Six installments of Rs 2,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Transfer Plan:</b> Minimum Six installments of Rs 1,000/- each and in multiples of Re. 1 thereafter</p> <p><b>Systematic Withdrawal Plan:</b> Minimum Six installments of Rs 500/- each and in multiples of Re. 1 thereafter</p> <p><b>Minimum Redemption / Sale Amount:</b> Rs.500/- or 50 units or account balance whichever is less.</p>

Minimum balance to be maintained and consequences of non maintenance	There is no minimum balance requirement in the Scheme.
Special Products	Please refer disclosure on Special Products under New Fund Offer details.
Accounts Statements	<p>Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, Investor whose transaction has been accepted by the Fund, shall receive the following for the units held in non-demat form :-</p> <ul style="list-style-type: none"> <li>(i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted will be sent by way of an email and/or SMS within 5 Business Days from the date of receipt of transaction request to the Unit holders' registered e-mail address and/or mobile number.</li> <li>(ii) A ^Consolidated Account Statement (CAS) for each calendar month shall be sent to the Unit holder(s) in whose folio(s) **transaction (s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month vide e-mail (where e-mail id has been provided)/physical copy (where e-mail id has not been provided).</li> <li>(iii) For the purpose of sending CAS, common investors across Mutual Funds shall be identified by their Permanent Account Number(PAN).</li> <li>(iv) In case of specific request received from the Unitholders, the AMC/PMF will provide the account statement for the Investors within 5 Business days from the receipt of such request.</li> <li>(v) In case of Folio(s) having more than one registered Unitholder, the first named Unitholder shall receive the CAS/Account Statement.</li> <li>(vi) The CAS shall not be sent to such Unit holders where the PAN details are not updated /provided in the folio(s).</li> </ul> <p><b>For the units held in Demat form: Securities Common Account Statement:</b></p> <p><b><u>MONTHLY SCAS:</u></b></p> <p>A single Securities Consolidated Account Statement ('SCAS')^ for each calendar month to the Unit holder(s) who are holding a demat account ('Beneficial Owner(s)') in whose folio(s) transaction(s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month shall be sent by mail/e-mail.</p> <p>^Securities Consolidated Account Statement ('SCAS') shall contain details relating to all the transaction(s)** carried out by the Beneficial Owner(s) (including transaction charges paid to the distributor) across all schemes of all mutual funds and transactions in securities held in dematerialized form across demat accounts, during the month and holdings at the end of the month.</p> <p>**transaction(s) shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal advantage plan, systematic transfer plan, bonus transactions, etc.</p>

For the purpose of sending SCAS, common investor(s) across mutual funds and the database of Depositories shall be identified based on the Permanent Account Number (PAN). In case of multiple holding, identification shall be based on the PAN of the first holder and the pattern of holding.

The SCAS will be sent by e-mail to the investor(s) whose e-mail address is registered with the Depositories. In case an investor does not wish to receive SCAS through e-mail, an option shall be given by the Depository to receive SCAS in physical. The SCAS shall not be received by the Unit holder(s) for the folio(s) not updated with PAN and/or KYC details. The Unit holder(s) are therefore requested to ensure that the folio(s) are updated with their PAN/KYC. Where PAN is not available, the account statement shall be sent to the Unit holder by the AMC.

In case of a specific request received from the Unit holder(s), the AMC/Fund will provide an account statement (reflecting transactions of the Fund) to the Unit holder(s) within 5 Business Days from the receipt of such request. In case an investor does not wish to receive SCAS, an option shall be given by the Depository to indicate negative consent. Investor(s) having multiple demat accounts across the Depositories shall have an option to choose the Depository through which the SCAS will be received.

**Half Yearly Account Statement:**

**SCAS:**

In case there is no transaction in the folio, a half yearly SCAS detailing holding across all schemes of mutual funds and securities held in dematerialized form across demat accounts shall be sent by Depositories to investors at the end of every six months (i.e. September/March), on or before 10th day of succeeding month.

The half yearly SCAS will be sent by mail/e-mail as per the mode of receipt opted by the investors to receive monthly SCAS.

In case of demat accounts with NIL balance and no transactions in mutual fund folios and in securities, the depository shall send physical statement to investor(s) in terms of regulations applicable to Depositories. Investors who are not eligible for receiving SCAS shall continue to receive a monthly account statement from the AMC

**CAS:**

^CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September/ March), shall be sent by mail/e-mail on or before 10th day of succeeding month, to all such Unit holders in whose folios no transactions\*\* has taken place during that period.

The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

	<p>^ Consolidated Account Statement (CAS) shall contain details relating to all the transactions** carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.</p> <p>** 'Transaction' shall include Purchase, Redemption, Switch, Dividend Payout, Dividend Reinvestment, Systematic Investment Plan, Systematic Withdrawal Plan and Systematic Transfer Plan.</p> <p><b>Account Statements for investors holding units of the scheme in demat accounts:</b></p> <p>Vide SEBI circular no. CIR/MRD/DP/31/2014 dated November 12, 2014 the following shall be applicable for unitholders having a Demat Account:</p> <p>Investors having Mutual Fund investments and holding securities in demat account shall receive a single CAS from the depository. Consolidation of account statement shall be done on the basis of Permanent Account Number (PAN). In case of multiple holding, it shall be PAN of the first holder and the pattern of holding. The CAS shall be generated on a monthly basis. If there is any transactions in any of the demat accounts of the investor or in any of his Mutual fund folios, depository shall send the CAS within 10 days from the month end. In case there is no transaction in any of the mutual fund folios and demat accounts then CAS with the holding details, shall be sent to the investor on half-yearly basis. In case an investor has multiple accounts across 2 depositories, the depository with whom the account has been opened earlier will be the default depository. However, where an investor doesn't wish to receive CAS through e-mail, option shall be given to the investor to receive the CAS in physical form at the address registered in the depository system. If an investor does not wish to receive single CAS from the depository, an option shall be given to the investor to indicate negative consent and receive the normal CAS only w.r.t mutual fund investments in lieu of this single CAS.</p>
<b>Dividend</b>	<p>The Dividend warrants/cheque/demand draft shall be dispatched to the Unit holders within 30 days of the date of declaration of the Dividend. The Dividend proceeds will be paid by way of ECS / EFT / NEFT / RTGS / Direct credits/ any other electronic manner if sufficient banking account details are available with Mutual Fund for Investor.</p> <p>In case of specific request for Dividend by warrants/cheques/demand drafts or unavailability of sufficient details with the Mutual Fund, the Dividend will be paid by warrant/cheques/ demand drafts and payments will be made in favour of the Unit holder (registered holder of the Units or, if there are more than one registered holder, only to the first registered holder) with bank account number furnished to the Mutual Fund.</p> <p>The dividend warrants/cheques/demand drafts will be sent by courier or (if the addressee city is not serviced by the courier) by registered post / UCP to the registered address of the sole / first holder as per the records of the Registrars. For the purpose of delivery of the dividend instrument, the dispatch through the courier / Postal Department, as the case may be, shall be treated as delivery to the investor. The AMC / Registrar are not responsible for any delayed delivery or non-delivery or any consequences thereof, if the dispatch has been made correctly as stated above.</p>
<b>Redemption</b>	<b>Repurchase Procedure</b>



The units of the Scheme can be repurchased (sold back to the Fund) on any business day. The repurchase request can be made on Application Form/Common Transaction form or by using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement, which should be submitted at any of the Official Point of Acceptance. Where the date of redemption is a non business day, the deemed date for such redemption will be the next business day.

In case the units are standing in the names of more than one unit holder, where mode of holding is specified as “jointly”, repurchase requests will have to be signed by all the joint holders. However, in cases of holding specified as ‘either/anyone or survivor’, any one of the joint holders (in case of either/anyone or survivor) will have the power to make repurchase request. However, in all cases, the repurchase proceeds will be paid to the first named holder only.

In case a unit holder has subscribed to units on more than one Business Day (either through continuation in case of existing unit holder, or through subsequent subscriptions), the units subscribed to prior in time (that is those units which have been held for the longest period of time), will be deemed to have been repurchased first, that is on a First -In -First-Out basis. However, a unit holder may request the Fund to repurchase units subscribed by him/her at different dates, by indicating the specific date of subscription of the units, which is offered for repurchase.

The repurchase request can be made by specifying the Rupee amount or by specifying the number of units to be repurchased. If a repurchase request is for both a specified Rupee amount and a specified number of units, the specified rupee amount will be considered the definitive request. If only the repurchase amount is specified by the unit holder, the AMC will divide the repurchase amount so specified by the applicable NAV based price to arrive at the number of units. The request for repurchase of units could also be in fractions, up to three decimal places.

If the number of Units held by the Investor as per the records maintained by AMC and/or the Registrar is less than the number of Units requested to be redeemed then, all the Units held by the Unit holder in such folio / Scheme / plan for which application for Redemption is made, shall be redeemed. Provided that, where redeem ‘all’ is specified in the request, all Unit holdings in that Scheme shall be redeemed.

The AMC reserves the right to change the minimum repurchase amount on a prospective basis subject to SEBI Regulations. Unit holders may also request for repurchase of their entire holding and close the account by indicating the same at the appropriate place in the Transaction Slip/Repurchase form.

### **Repurchase Price**

The repurchase price will be calculated using the following formula:

Repurchase Price = Applicable NAV\*(1 – Exit Load, if any).

Example for calculation of Repurchase Price

If the Applicable NAV is Rs.11.25 and a 1.00% exit load is charged the repurchase price will be calculated

as follows:

Repurchase Price = Rs.11.25 x (1 - 1 % of Rs.11.25)

= Rs.11.25 - Rs.0.1125

= Rs.11.1375 per unit

The repurchase price shall not be lower than 93% of the NAV.



The AMC reserves the right to modify the exit load. However, any such change in the load structure shall be only on a prospective basis. The unit holder is requested to confirm the applicable exit load at the time of investment from the AMC/OPT.

#### **Repurchase by NRI's/ FIIs**

Repurchase of unit balances in the account of an NRI/FII will be subject to any procedures laid down by the RBI. Such repurchase proceeds will be paid by means of a rupee cheque payable to the designated NRE/ NRO account of the unit holder and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unit holder and/or the Scheme by way of ongoing expenses.

#### **Payment of Repurchase Proceeds**

The time limit set for dispatch of repurchase proceeds will be from the Business Day when the request is accepted at the Official Point of Acceptance. As per the SEBI Regulations, the Fund shall mail the repurchase proceeds within ten Business Days from the date of acceptance of valid request at any of the Official Point of Acceptance, in case of a repurchase request being sent by post.

In the event of failure to dispatch the repurchase or repurchase proceeds within the statutory period specified above as per the SEBI Regulations, the AMC shall be liable to pay interest to the unit holders at such rate (currently 15% per annum) as may be specified by SEBI for the period of such delay.

#### **Electronic Credit Clearing Services (ECS) Identified Banks**

ECS is a facility offered by RBI for facilitating better customer service by direct credit of dividend or repurchase amount to a unit holder's bank account through electronic credit. This helps in avoiding loss of dividend or repurchases warrant in transit or fraudulent encashment. The Fund will endeavour to arrange such facility for payment of dividend/repurchase proceeds to the unit holders. However, this facility is optional for the unit holders. Repurchase proceeds may be released through the ECS facility to unit holders residing in any of the cities where such a facility is available. In order to avail the above facility, the unit holder will have to give a written request to the Registrar. If the unit holder has opted for the ECS facility his/her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The Registrar will send a separate advice to the unit holder informing them of the direct credit. It may be noted that there is no commitment from the Fund that this facility will be made available to the unit holders for payment of dividend/repurchase proceeds. While the Fund will endeavour in arranging the facility it will be dependent on various factors including sufficient demand for the facility from unit holders at any centre, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Fund for any reason the repurchase warrants will be mailed to the unit holder.

#### **Unit holder's Bank Account Details**

Unit holders are on a mandatory basis required to mention their bank account details in their applications/ requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unit holder's account so specified.

The normal processing time may not be applicable in situations where such details are not provided by unit holders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

Further, in accordance with AMFI communication no. 135/BP/26/11-12 dated March 21, 2012, following process vis-à-vis change in bank mandate is being followed effective May 1, 2012 (effective date) -

### **I. Change in Bank Mandate**

1. Updation of Bank Account in Customer's Folio shall be either through "Multiple Bank Account Registration Form" or a standalone separate "Change of Bank Mandate Form";
2. In case of standalone change of bank details, documents as entailed below should be submitted as a proof of new bank account details. Based on PAMC's internal risk assessment, PAMC may also consider collecting proof of old bank account and proof of identity of the clients, while effecting the change of bank account;
3. Customers are advised to register multiple bank accounts and choose any of such registered bank accounts for receipt of redemption proceeds;
4. Any unregistered bank account or new bank account forming part of redemption request shall not be entertained or processed;
5. Such Investors, who have not already provided bank mandate at the time of making investment, are required to submit proof of new bank account details as entailed here below. Such Investors are also required to submit valid Proof of Identity as prescribed under KYC guidelines along with Proof of Investment; and
6. Any change of Bank Mandate request received/processed few days prior to submission of a redemption request or on the same day as a standalone change request, PAMC will continue to follow cooling period of 10 calendar days for validation of the same.

Investors are required to submit any one of the following documents in Original or produce originals for verification or copy attested by the Bank –

### **New Bank Account Registration**

- Cancelled original cheque of new bank mandate with first unitholder name and bank account number printed on the face of the cheque; OR
- Self - attested copy of bank statement; OR
- Bank Passbook with current entries not older than 3 months; OR
- Letter from the bank on its letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager/authorised personnel.

AND Proof of Identity as prescribed under KYC guidelines along with Proof of Investment - only for such investors who have not registered their bank mandate at the time of making investment.

### **Change in Existing Bank Mandate**

- Cancelled original cheque with first unitholder name and bank account number printed on the face of the cheque; OR
- Original bank account statement or pass book; OR

	<ul style="list-style-type: none"> <li>- Original letter issued by the Bank on the letterhead confirming the bank account holder with the account details, duly signed by the Branch Manager; OR</li> <li>- In case such Bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.</li> </ul> <p><b>Closure of Unit holder's Account</b> Unit holders may note that the AMC at its sole discretion may close a unit holder's account after giving notice of 45 days, if at the time of any part repurchase, the value of units (represented by the units in the unit holder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme (or such other amount as the AMC may decide from time to time) or where the units are held by a unit holder in breach of any Regulation.</p>
<p><b>Restriction on Third Party Payments for subscription of Mutual Fund Units and Registration of Multiple Bank Accounts</b></p>	<p><b>Third Party Payments for subscription of Units</b></p> <p>Applications for subscription shall not be accepted when accompanied with *Third Party payments, except in the following situations:</p> <ul style="list-style-type: none"> <li>• Payment by Parents / Grand-Parents / related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding Rs.50,000/- (each regular purchase or per SIP installment). However, this limit of Rs. 50,000/- will not be applicable for payments made by a Guardian whose name is registered in the records of Principal Mutual Fund for the concerning Folio;</li> <li>• Payment by Employer on behalf of employee under Systematic Investment Plan(s) or Lumpsum/One time subscription through Payroll deductions or deductions out of expense reimbursements;</li> <li>• Custodian on behalf of FII or a client;</li> <li>• Payment by AMC to a Distributor empanelled with it on account of commission/incentive etc. in the form of Mutual Fund Units of the Funds managed by the AMC through SIP or lump sum/one time subscription.</li> <li>▪ Payment by Corporate to its Agent/ Distributor/Dealer (similar arrangement with Principal –agent relationship), on account of commission/ incentive payable for sale of its goods/ services, in the form of Mutual Fund units through Systematic Investment Plans or lumpsum/ one time subscription, subject to compliance with SEBI Regulations and Guidelines issued by AMFI, from time to time.</li> </ul> <p>*Third Party Payment shall mean those payment made through instruments issued from an account other than that of the beneficiary investor. However, in case of payments from a joint bank account the first holder of the mutual fund folio should be one of the joint holders of the bank account from which payment is made.</p> <p>In case of exceptional situations stated above, following additional documents shall be mandatorily enclosed along with the Subscription application:</p> <ol style="list-style-type: none"> <li>a) KYC Acknowledgement Letter for Investor (Guardian in case of Minor) and the Person making the payment.</li> <li>b) "Third Party Declaration Form" from the Investor (Guardian in case of Minor) and the person making the payment, giving details of the bank account from which the payment is made and the relationship with the Beneficiary Investor(s).</li> </ol>

(Declaration Format shall be available at any of our Investor Service Centre or on [www.principalindia.com](http://www.principalindia.com))

Investor along with the subscription application must provide the details of his pay-in bank account (i.e. account from which a subscription payment is made) and his pay-out bank account (i.e. account into which redemption / dividend proceeds are to be paid). In case of payments received from a Bank Account which is not registered and the first unitholder's name is not preprinted on the payment cheque or wherein the bank mandate mentioned in the application form by the investor for effecting payouts is not the same as the bank account from which the investment is made, any one of the following documents in relation to the bank mandate shall be submitted by the investor along with the application form to validate that the bank mandate belongs to the investor:

- i. Cancelled original cheque having first holder name pre-printed on the cheque;
- ii. Original bank statement (with transaction entries not older than 3 months) reflecting the first holder name, bank account number and bank name as specified in the application form;
- iii. Photocopy of the bank statement/bank passbook (with transaction entries not older than 3 months) reflecting the first holder name, bank account number and bank name as specified in the application form, duly attested by the bank manager and bank seal;
- iv. Confirmation by the bank manager with seal/on the bank's letterhead confirming the investor details and bank mandate information as mentioned in the application form

If the documents are not submitted with the application, the fund reserves the right to reject the application without any liability whatsoever or call for additional details, at its discretion.

Additionally, in case of following mode of payments below stated documents should be enclosed with the subscription application:

a) **Demand Draft/Pay Order, Banker's Cheque and the like:** Certificate from the Issuing Banker, stating the Account holder's name and the Account number which has been debited for issue of such instrument.

As directed by AMFI, a copy of acknowledgement from the Bank wherein the instructions to debit the Investor's bank account and name of the Investor as on account holder are available OR copy of pass book/bank statement evidencing the debit for issuance of a DD, shall also be accepted by the Mutual Fund.

b) **Demand Draft/Pay Order, Banker's Cheque and the like issued against cash by the Bank [for an investment amount less than ` 50,000/- only]:** Certificate from the Banker giving name, address, Bank account number and PAN (if available) of the person who has requested for the demand draft.

c) **Payment vide RTGS, NEFT, ECS, Bank Transfer etc:** copy of the instruction to the bank stating the account number debited must accompany the purchase application.

In such instance, where, post verification it is found that the payment, in any mode, is not made from a registered bank account or is made from an account where the first named unit holder is not an Account holder / one of the account holder in case of Joint Bank Account, the AMC/R&T, reserves the right to reject the transaction / subscription application, without any liability.

Additionally, in order to prevent fraudulent practices, Investors are urged to make the payment instruments (cheque / Demand draft / Pay Order etc.) favouring “XYZ Scheme A/c. First Investor Name” OR “XYZ Scheme A/c. Permanent Account Number” OR “XYZ Scheme A/c. Folio Number”.

#### **Multiple Bank Accounts:**

Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 Bank Accounts in case of Individual and HUF Investor and 10 Bank Accounts in case of Non Individual Investor. Such facility can be availed by submitting duly filled in “Multiple Bank Account Registration form” at the Investor Service Centre closest to you, along with copy of any one of the following documents:

- a) cancelled cheque leaf of the bank account which has to be registered [the account number and name of the first unitholder should be printed on the cheque leaf];
- b) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;
- c) Bank letter / certificate on its letter head certifying the account holder’s name, account number and branch address [Such letter / certification should be certified by the Bank Manager with his / her full name, signature, employee code.]

Investors should also present the Original of the above Document submitted along with the subscription application, and such original document shall be returned across the Counter post due verification

Subsequent, to successful registration of multiple bank accounts, Investors can select any of the registered bank accounts in the application form for the purpose of subscriptions, redemption and dividend proceeds. Investor shall also have the option to register any one of their account as a default bank account for credit of redemption /dividend proceeds.

Further an Investor may also opt to delete a registered default bank account; however, such deletion of a default bank account shall be permitted only if the Investor registers another registered account as a default account and the same shall be in accordance with the procedure as stated in the section titled “change in bank mandate”.

In the event of rejection of such registration application for any reason, the redemption / dividend proceeds shall be processed as per specified service standards and the last registered bank account information in the records of Registrar & Transfer Agent - Karvy Computershare Private Limited, will be relied upon and used for such payments.

	<p>It is clarified that in case of Change of Bank Account along with Redemption application submitted by the Investor, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of R&amp;T.</p> <p>However, if the new bank account is not one of the registered bank accounts, the redemption proceeds shall be credited to such new bank account post completion of the cooling off period as prescribed by AMFI and within regulatory prescribed timelines.</p>
<b>Delay in payment of redemption proceeds</b>	The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum)

### C. PERIODIC DISCLOSURES

<p><b>Net Asset Value</b></p> <p>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall declare the Net asset value of the scheme on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 p.m. (<i>time limit for uploading NAV as per applicable guidelines</i>) and also on website of Principal Mutual Fund i.e. <a href="http://www.principalindia.com">www.principalindia.com</a> and shall publish the NAV in two newspapers.</p> <p>In case of delay, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavoured to be made available before commencement of business hours of the following business day, failing which a press release explaining the material reasons for non-availability would be released. In the event NAV cannot be calculated and/or published because of suspension of trading on the BSE/NSE/RBI, during the existence of a state of emergency and/or a breakdown in communications, the AMC may suspend calculation and/or publication of NAV etc. of the units.</p>
<b>Monthly Portfolio Disclosures</b>	The Fund shall on a monthly basis disclose portfolio (along with ISIN) as on the last day of the month for the Scheme on its website <a href="http://www.principalindia.com">www.principalindia.com</a> , on or before the tenth day of the succeeding month in a user friendly and downloadable format (preferably in a spread sheet).
<p><b>Half yearly Disclosures: Portfolio / Financial Results</b></p> <p>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures advertisement.</p>	<p>The mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th, September) by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.</p> <p>The mutual fund may opt to send the portfolio statement to all unit holders in lieu of the advertisement referred above.</p>
<b>Half Yearly Results</b>	<p>The AMC shall, before the expiry of one month from the close of each half year, i.e. 31<sup>st</sup> March and 30<sup>th</sup> September, host its unaudited financial results of the Scheme(s) on its website – <a href="http://www.principalindia.com">www.principalindia.com</a> in a user friendly and downloadable format(preferably in a spread sheet).</p> <p>An advertisement intimating the same, shall be published in atleast one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head office of the Mutual Fund is situated.</p>
<b>Annual Report</b>	A link to Annual Report or Abridged Summary of the Annual Report will be available on AMC's website <a href="http://www.principalindia.com">www.principalindia.com</a> and a link in this regard shall



also be available on the website of AMFI i.e. [www.amfiindia.com](http://www.amfiindia.com). Annual Report / Abridged Annual Report shall be sent by way of an e-mail link to the Investor's registered e-mail address or physical copies (if investor's e-mail address is not registered), not later than four months after the close of each financial year.

Such Unitholders who have mentioned their e-mail address will receive the Annual Report/Abridged Summary of Annual Report only by e-mail and not in physical copy. However, Investors who have mentioned their e-mail address but still wish to receive physical copy of the Annual Report, may do so by submitting written request at any of our OPT.

Physical Copy(ies) of Annual Report will be available for inspection at the Registered Offices of the AMC at all times.

#### Associate Transactions

Please refer to Statement of Additional Information (SAI).

#### Taxation

This is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes

#### Applicable tax rates for financial year 2015-16 - Updated with the amendments as per the Finance Act, 2015

For all Scheme(s) –

Particulars	Resident Investors	Mutual Funds
Tax on Distributed Income	Nil	Not subject to dividend distribution tax
<b>Capital Gain</b>		
Long- term Capital Gain <sup>1</sup>	Nil	Nil
Short- term Capital Gain	15% <sup>2</sup>	Nil

<sup>1</sup> Capital gains arising on the transfer or redemption of equity oriented units should be regarded as long-term capital gains if such units are held for a period of more than 12 months, immediately preceding the date of transfer.

<sup>2</sup> Plus applicable surcharge; and education cess at the rate of 2% on income-tax and surcharge and secondary and higher education cess at the rate of 1% on income-tax and surcharge. For rates of surcharge, please refer to the clause on Taxation in the SAI.

Investors may be subject to Minimum Alternate Tax / Alternate Minimum Tax under section 115JB of the Act / Section 115JC of the Act respectively.

This chart is prepared on assumption that the investment in units of Mutual Fund would be characterised as capital assets in the hands of the unit holder.

	<p>Where the Fund receives any income from investments made in overseas jurisdiction, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received.</p> <p>As the income of the fund is exempt from tax in India, credit / refund in respect of such foreign taxes may not be available in India.</p> <p>Upon redemption of the units, securities transaction tax would be payable by the unit holders @ 0.001% of the redemption price.</p> <p>For further details on taxation please refer to the clause on Taxation in the SAI.</p>
<b>Investor services</b>	<p>For any enquiries and/or queries or complaints in respect of any terms and conditions of/investments in this Scheme, the investors are advised to address a suitable communication to AMC and marked to the attention of Head Customer Services - Mr. Hariharan Iyer at <a href="mailto:customer@principalindia.com">customer@principalindia.com</a>. Written communications may also be forwarded to Principal Mutual Fund at Exchange Plaza, Ground Floor, B Wing, NSE Building, Bandra Kurla Complex, Bandra(East), Mumbai – 400 051, India and/or alternatively faxed at +91 22 67720512.</p> <p>Our Customer Service Executives can also be reached at the following Toll Free No. - 1800 425 5600.</p>

### C. COMPUTATION OF NAV

The NAV of the Scheme for each option at any time shall be determined by dividing the net assets of the Scheme by the number of outstanding units on the valuation date.

The NAV of the Scheme will be calculated on a daily basis as shown below:

$\text{NAV per unit} = \frac{(\text{Market / Fair Value of Securities} + \text{Accrued Income} + \text{Receivables} + \text{other assets} - \text{Accrued Expenses} - \text{payables-other liabilities})}{\text{No. of units outstanding of the Scheme / Option}}$
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The NAV will be calculated up to four decimals. The NAVs will be declared on every Business Day by 9.00 p.m.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars, Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units under the Dividend Option of the Fund shall be deducted in computing the NAV of the units under the Dividend Option, each time a dividend is declared and till it is distributed. Consequently, once the dividend is distributed, the NAV of the units will always remain lower than the NAV of the units under the Growth Option. The income earned and profits realized attributable to the units under the Growth Option shall remain invested and shall be deemed to have remained invested in the Growth Option (exclusive of the units under the Dividend Option) and would be reflected in the NAV of the units under the Growth Option.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The first NAV will be calculated and announced within a period of 5 business days after the close of the NFO Period. Subsequently, the NAV shall be calculated on all Business Days and released for publication in at least two daily newspapers having circulation all over India.



## SECTION V: FEES AND EXPENSES

This section outlines the expenses that will be charged to the Scheme.

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

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc. The entire new fund offer expenses of the said scheme shall be borne by the AMC.

### B. ANNUAL SCHEME RECURRING EXPENSES

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

The AMC has estimated the following percentage of the daily net assets of the scheme will be charged to the scheme as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

Nature of Expenses**	% of daily net assets**
A. Investment Management and Advisory Fees charged by the AMC^	2.50
B. Other expenses relating to administration of the Plan -	
– Trustee Fees	
– Registrar and Transfer Agent Fees	
– Audit Fees	
– Custodian Fees	
– Costs related to investor communications	
– Marketing and Selling Expenses	
– Costs of fund transfer from one location to another,	
– Cost of providing account statements and repurchase cheques and warrants	
– Costs of statutory advertisements	
– Cost towards investor education & awareness (at least 0.02 percent)	
– Brokerage & transaction cost (inclusive of service tax) over and above 0.12 percent and 0.05 percent for cash and derivative market trades respectively#	
– Service tax on expenses other than Investment Management and advisory fees	
<b>Total Annual Recurring Expenses (A+B)</b>	<b>2.50</b>

^Principal Pnb Asset Management Company Private Limited (PAMC) may charge the Scheme with Investment and Advisory Fees which shall be within the limits of total expenses prescribed under Regulation 52.

It is clarified that the sum total of A plus B shall not exceed 2.50% of the daily net assets of the Scheme.

**\*\*Direct Plan** under the aforementioned Scheme shall have a lower expense ratio excluding distribution expenses, commission, etc. and no commission for distribution of Units will be paid / charged under the Direct Plan. At least 10% of the TER is charged towards distribution expenses/ commission in the Regular Plan. The TER of the Direct Plan will be lower to the extent of the abovementioned distribution expenses/ commission (at least 10%) which is charged in the Regular Plan.

As per Regulation 52(6) of SEBI (Mutual Funds) Regulations, 1996, the maximum recurring expenses including the investment management and advisory fee that can be charged to the Scheme shall be subject to a percentage limit of Daily net assets as given in the table below.

Daily Net Assets	%
On first Rs.100 crores	2.5%

On the next Rs. 300 Crores	2.25%
On the next Rs. 300 Crores	2.00%
On the balance of assets	1.75%

Further, in addition to the limits on total expenses specified in Regulation 52(6) of SEBI (Mutual Funds) Regulations, 1996 (the Regulation) the following expenses may be charged to the Scheme under Regulation 52 (6A) -

- #(a) Brokerage and transaction costs incurred for the purpose of execution of trades and included in the cost of investment, not exceeding 0.12% of the value of trades in case of cash market transactions and 0.05% of the value of trades in case of derivative transactions.; Further, in accordance with SEBI circular no. CIR/IMD/DF/24/2012 dated November 19, 2012, the brokerage and transaction costs incurred for the execution of trades will be capitalized to the extent of 0.12% of the value of the trades in case of cash market transactions and 0.05% of the value of the trades in case of derivatives transactions. Any payment towards brokerage and transaction costs (including service tax, if any incurred) for the execution of trades over and the said 0.12% and 0.05% of the cash market transactions and derivative transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio as prescribed under Regulation 52 of the SEBI(MF) Regulations. Any expenditure in excess of the said prescribed limit (including brokerage and transaction cost. if any) shall be borne by the AMC or by the Trustee or Sponsor.
- (b) Expenses not exceeding 0.30% of daily net assets, if the new inflows from such cities as specified by SEBI from time to time are at least (i) 30% of gross inflows in the Scheme OR (ii) 15% of the average assets under management (year to date) of the Scheme - whichever is higher.

However if inflows from such cities is less than the higher of (i) & (ii) as mentioned above, such expenses on daily net assets of the Scheme may be charged on proportionate basis. Further, the expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities. The amount incurred as expense on account of inflows from such cities shall be credited back to the Plan in case the said inflows are redeemed within a period of one year from the date of investment.

- (c) Additional expenses incurred towards different heads mentioned under sub-regulation 52(2) & 52(4) of the Regulation not exceeding 0.20% of the daily net assets of the Scheme.

AMC may charge service tax on investment and advisory fees of the Scheme in addition to the maximum limit of TER as per the Regulation 52(6) and (6A).

These estimates have been made in good faith by the AMC and are subject to change inter-se. The expenses may be more than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI Regulations. Expenses over and above the permissible limits will be borne by the AMC and/or the Trust and/ or the sponsor. Any expense other than those specified in the SEBI Regulations shall be borne by the AMC and/ or the Sponsors and/or Trust. The purpose of the above table is to assist the unitholder in understanding the various costs and expenses that a unitholder in the Plan will bear directly or indirectly.

Any other expenses that are directly attributable to the Scheme, and permissible under SEBI (Mutual Funds) Regulations, 1996 from time to time, may be charged within the overall limits as specified in the Regulations.

The Scheme shall strive to reduce the level of these expenses so as to keep them well within the maximum limits currently allowed by SEBI and any revision in the said expenses limits by SEBI would be applicable.

## C. LOAD STRUCTURE & TRANSACTION CHARGES

- 1) Exit Load is an amount which is paid by the investor to redeem the units from the scheme.
- 2) Load details

Type of Load : Load Chargeable (As a %age of NAV)	
Entry Load	Not Applicable Pursuant to SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009, no entry load will be charged by the Scheme to the investor. The upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder (AMFI registered Distributor) directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN Holder.
Exit Load	If redeemed on or before 90 days from the date of allotment – 0.25%. If redeemed on or after 90 days from the date of allotment – NIL

- 3) Switch of investments from Regular Plan to Direct Plan under the same Scheme/Plan shall be subject to applicable exit load. However, any subsequent switch-out or redemption of such investments from Direct Plan will not be subject to any exit load.  
No exit load shall be levied for switch-out from Direct Plan to Regular Plan. However, any subsequent switch-out or redemption of such investment from Regular Plan shall be subject to exit load based on the original date of investment in the Direct Plan.
- 4) Switch of investments between Plans under a Scheme having separate portfolios, will be subject to applicable exit load.
- 5) In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 inter alia no entry load will be charged by the Fund with effect from August 01, 2009. Upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN holder.
- 6) Pursuant to SEBI Circular CIR/IMD/DF/21/2012 dated September 13, 2012 read with notification No. LADNRO/ GN/2012-13/17/21502 dated September 26, 2012 service tax on exit load, if any, shall be paid out of the exit load proceeds and exit load net of service tax, if any, shall be credited to the scheme with effect from October 01, 2012.
- 7) Load structure is variable and subject to change from time to time, in alignment with provisions of the relevant SEBI Regulations/Guidelines. The AMC reserves the right to change/modify exit/switchover load (including zero load), depending upon the circumstances prevailing at any given time. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated and also display the same on the website / Investor service center.

The AMC may also:

- i. Attach the Addendum to Scheme Information Document and Key Information Memorandum and / or circulate the same to Distributors / Brokers so that the same can be attached to all Scheme Information Documents and Key Information Memoranda already in stock.
- ii. Arrange to display the addendum to the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office.
- iii. Disclose exit load/ CDSC in the statement of accounts issued after the introduction of such load/CDSC.
- iv. take other measures which it may feel necessary.

The investor is requested to check the prevailing load structure of the scheme before investing. For the current applicable structure, he may refer to the website of the AMC - [www.principalindia.com](http://www.principalindia.com) or may call at may call at 1800 425 5600 or your distributor.

- 8) Units issued on reinvestment of dividends shall not be subject to exit load.
- 9) Load on switch out will be same as exit load applicable to the respective schemes.  
If the Applicable NAV is Rs.11.25 and a 1% exit load is charged the repurchase price will be calculated as follows:  
E.g. Repurchase Price = Applicable NAV x (1-Exit Load, if any).  
Therefore, the Repurchase Price would be Rs11.25 x (1-1.00% of Rs11.25) = Rs11.1375.
- 10) The repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV. However, the difference between the repurchase price and sale price shall not exceed 7% on the sale price.
- 11) The exit load may be linked to the period of holding. Any imposition/enhancement or change in load structure shall be applicable on prospective investment only. However, any change at a later stage shall not affect the existing unit holders adversely.
- 12) No exit load shall be chargeable on any transaction/s made by any "Fund of Funds Scheme/s" managed by Principal Pnb Asset Management Company Pvt. Ltd. or managed by any other Asset Management Company, in any of the existing schemes (or any scheme/s launched from time to time unless specified otherwise) of Principal Mutual Fund.]

#### **Transaction Charges –**

In accordance with SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, Principal Pnb Asset Management Company Private Limited (PAMC) /Principal Mutual Fund(PMF) shall deduct Transaction Charges on purchase / subscription received from the Investors through Distributors/Agents (who have opted to receive the transaction charges) as under:

**(i) First Time Mutual Fund Investor (across Mutual Funds):** Transaction charge of Rs.150/- for subscription of Rs.10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the first time investor and the balance shall be invested.

First time investor in this regard shall mean an Investor who invests for the first time ever in any Mutual Fund either by way of Subscription or Systematic Investment Plan.

**(ii) Investor other than First Time Mutual Fund Investor:** Transaction charge of Rs.100/- per subscription of Rs. 10,000 and above will be deducted from the subscription amount and paid to the Distributor/Agent of the investor and the balance shall be invested.

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

**(iii) Transaction charges shall not be deducted for:**

- purchases /subscriptions for an amount less than Rs.10,000/-;
- transaction other than purchases/ subscriptions relating to new inflows such as Switch/ Systematic Transfer Plan/Sweep facility under the Dividend Option of the Scheme(s) etc.;
- purchases/subscriptions made directly with the Fund (i.e. not through any Distributor/Agent);
- transactions routed through Stock Exchange route.

Statement of Account issued to such Investors shall state the net investment as gross subscription less transaction charge and mention the number of units allotted against the net investment.

Further, in accordance with SEBI Circular No. SEBI/IMD/CIR/No.4/168230/09 dated June 30, 2009, upfront commission to Distributors/Agents shall be paid by the Investor directly to the Distributor/Agent by a separate cheque based on his assessment of various factors including the service rendered by the Distributor/Agent.

**Waiver of Load for Direct Applications:**

Pursuant to SEBI Circular No. SEBI/IMD/CIR/No.4/168230/09 dated June 30, 2009, no entry load shall be charged for all Mutual Fund Scheme(s) therefore, the procedure for waiver of load for direct applications is no longer applicable.

## SECTION VI. RIGHTS OF UNITHOLDERS

Please refer to Statement of Additional Information for details.

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

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

1	Penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.	Nil
2	In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.	Nil
3	Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.	SEBI in January 2013 had initiated adjudicating proceedings against the Principal Mutual Fund, Principal Pnb Asset Management Company Private Limited (“AMC”) and Principal Trustee Company Private Limited (“Trustee”) to enquire and adjudge the alleged violations of Clause 5 under Schedule II of SEBI Circular no. SEBI/IMD/Cir no.11/78450/06 dated October 11, 2006 and SEBI Circular no. SEBI/IMD/CIR No. 6/98057/07 dated July 05, 2007. The adjudicating officer vide its order dated September 26, 2013 levied a penalty of Rs. 10 lakh each on the AMC and Trustee, respectively under section 15D(b) of the SEBI Act. The penalty amount was duly paid by the AMC and Trustee within the prescribed timeline.

4	Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.	*As mentioned below
5	Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.	Nil

\* There is a legal case pending against Mr. Rajat Jain, Chief Investment Officer of Principal Pnb Asset Management Company Pvt. Ltd. in the “Court of Sessions of Greater Bombay”. The case was filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to a matter alleged during Mr. Jain’s previous employment with SBI Mutual Fund, prior to his joining Principal Pnb Asset Management Company Pvt. Ltd. The case pertains to the purchase of certain shares at SBI Mutual Fund where Mr. Rajat Jain was, at that time, Chief Investment Officer.

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

**Note:** The Scheme under this Scheme Information Document was approved by the Board of Directors of Principal Trustee Company Private Limited at their board meeting held on December 22, 2014. The Trustees have ensured that the Scheme approved is a new product offered by Principal Mutual Fund and is not a minor modification of its existing schemes.

## Offices of AMC Identified as Official Point of Acceptance / Investor Service Centres

### Principal Pnb Asset Management Company Private Limited - OPA & ISC:

**Mumbai:** Exchange Plaza, 'B' wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051

### Centres of Karvy Computershare Private Limited (R&T to Principal Mutual Fund) which have been identified as Official Point of Acceptance:

**Agra:** 1st Floor, Deepak Wasan Plaza, Behind Holiday Inn, Opp. Megdoot Furnitures, Sanjay Place, Agra-282 002 • **Ahmedabad:** 201/202 Shail, Opp. Madhusudan House, Navrangpura, Ahmedabad-380 006 • **Ajmer:** 302, 3rd Floor, Ajmer Auto Building, Opp. City Power House, Jaipur Road, Ajmer - 305 001 • **Aligarh:** 1st Floor, Kumar Plaza, Aligarh-202 001 • **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S.P. Marg, Civil Lines, Allahabad-211 001 • **Amritsar:** 72-A, Taylor's Road, Opp. Aga Heritage Club, Amritsar-143 001 • **Anand:** B-42 Vaibhav Commercial Center, Nr TVS Down Town Show Room, Grid Char Rasta, Anand-380 001 • **Asansol:** 114/71, G.T. Road, Near Sony Centre, Bhanga Pachil, Asansol-713 303 • **Aurangabad:** Ramkunj Niwas, Railway Station Road, Near Osmanpura Circle, Aurangabad-431 005 • **Bangalore:** 59, Skanda Puttanna Road, Basavanagudi, Bangalore-560 004 • **Bankura:** Ambika Market Complex, Gr. Floor, Nutanganj, Post & Dist Bankura, Bankura-722 101 • **Bareilly:** 1st Floor, 165, Civil Lines, Opp. Hotel Bareilly Palace, Near Railway Station, Bareilly-243 001 • **Belgaum:** CTS No. 3939/ A2 A1, Above Raymonds Show Room, Beside Harsha Appliances, Club Road, Belgaum-590 001 • **Bharuch:** Shop No. 147-148, Aditya Complex, Near Kasak Circle, Bharuch-392 001 • **Bhatinda:** #2047-A 2nd Floor, The Mall Road, Above Max New York Life Insurance, New Delhi-151 001 • **Bhavnagar:** Krushna Darshan Complex, Parimal Chowk, Office No. 306-307, 3rd Floor, Above Jed Blue Show Room, Bhavnagar 364 002 • **Bhilai:** Shop No. 1, First Floor, Plot No.1, Commercial Complex, Nehru Nagar (East), Bhilai-490 020 • **Bhopal:** Kay Kay Business Centre, 133, Zone I, M.P. Nagar, Above City Bank, Bhopal-462 011 • **Bhubaneswar:** A/181, Back Side of Shivam Honda Show Room, Saheed Nagar, Bhubaneswar-751 007 • **Bikaner:** 70-71, 2nd Floor, Dr. Chahar Building, Panchsati Circle, Sadul Ganj, Bikaner-334 001 • **Bokaro:** B-1, 1st Floor, City Centre, Sector-4, Near Sona Chandi Jewellers, Bokaro-827 004 • **Burdwan:** 63 G.T. Road, Halder Complex 1st Floor, Burdwan-713 101 • **Calicut:** 2nd Floor, Soubhagya Shopping Complex, Arayidathpalam, Mavoor Road, Calicut-673 004 • **Chandigarh:** SCO 2423-2424, Sector 22-C, Chandigarh-160 022 • **Chennai:** F-11, Akshaya Plaza, 1st Floor, 108, Adhithanar Salai, Egmore, Opp. Chief Metropolitan Court, Chennai-600 002 • **Cochin:** Ali Arcade, 1st Floor, Kizhavana Road, Panampilly Nagar, Near Atlantis Junction, Ernakulam-682 036 • **Coimbatore:** 3rd Floor, Jaya Enclave, 1056/1057 Avinashi Road, Coimbatore-641 018 • **Cuttack:** P.O. - Buxi Bazar, Cuttack, Opp. Dargha Bazar, Dargha Bazar, Cuttack-753 001 • **Dehradun:** Kaulagarh Road, Near Sirmaur Margabove, Reliance Webworld, Dehradun-248 001 • **Dhanbad:** 208 New Market, 2nd Floor, Bank More, Dhanbad-826 001 • **Durgapur:** Mwav-16 Bengal Ambuja, 2nd Floor, City Centre, 16 Dt Burdwan, Durgapur-713 216 • **Erode:** No. 4, Veerappan Traders Complex, KMY Salai, Sathy Road, Opp. Erode Bus Stand, Erode-638 003 • **Faridabad:** A-2B, 1st Floor, Nehru Groundnit, Faridabad-121 001 • **Ghaziabad:** 1st Floor, C-7, Lohia Nagar, Ghaziabad-201 001 • **Goa:** Flat No. 1-A, H. No. 13/70, Timotio Bldg. Heliodoro Salgado Road, Next to Navhind Bhavan (Market Area), Panaji, Goa - 403 001 • **Gorakhpur:** Above V.I.P. House adjacent, A.D. Girls College, Bank Road, Gorakhpur-273 001 • **Gurgaon:** Shop No.18, Gr. Floor, Sector-14, Opp. AKD Tower, Near Huda Office, Gurgaon-122 001 • **Guwahati:** 1st Floor, Bajrangbali Building, Near Bora Service Station, G.S. Road, Guwahati - 781 007 • **Gwalior:** 2nd Floor, Rajeev Plaza, Jayendra Ganj, Lashkar, Gwalior. M.P.-474 009 • **Hubli:** CTC No. 483 / A1-A2, Gr. Floor, Shri Ram Plaza, Behind Kotak Mahindra Bank, Club Road, Hubli - 580 029. • **Hyderabad:** KARVY CENTRE, 8-2-609/K, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. • KARVY SELENIUM, Plot No. 31 & 32, Tower B, Survey No. 115 /22, 115/24 &115/25, Financial District, Gachibowli, Nanakramguda, Serlingampally Mandal, Ranga Reddy District, Hyderabad - 500 032 • **Indore:** 2nd Floor, 203-205, Balaji Corporates, Above ICICI Bank, 19/1 New Palasia, Indore-452 001 • **Jabalpur:** Grover Chamber, 43 Naya Bazar Malviya Chowk, Opp. Shyam Market, Jabalpur-482 002 • **Jaipur:** S-16/A 3rd Floor, Land Mark Building, Opp. Jai Club, Mahaver Marg C-Scheme, Jaipur-302 001 • **Jalandhar:** 1st Floor, Shanti Towers, SCO No. 37, PUDA Complex, Opp. Tehsil Complex, Jalandhar-144 001 • **Jalgaon:** 269 Jaee Vishwa, 1st Floor, Above United Bank of India, Baliram Peth, Near Kishor Agencies, Jalgaon - 425 001 • **Jammu:** 5 A/D Extension 2, Near Panama Chowk Petrol Pump, Panama Chowk, Jammu-180 012 • **Jamnagar:** 136-138, Madhav Palaza, Opp. SBI Bank, Near Lal Bungalow, Jamnagar-361 001 • **Jamshedpur:** 2nd Floor, R.R. Square, SB Shop Area, Near Reliance Foot Print & Hotel, BS Park Plaza, Main Road, Bistupur, Jamshedpur-831 001 • **Jodhpur:** 203, Modi Arcade, Chopasni Road, Jodhpur-342 001 • **Junagadh:** 124-125 Punit Shopping Center, M.G. Road, Ranavav Chowk, Junagadh-362 001 • **Kanpur:** 15/46, B, Gr.



Floor, Opp. Muir Mills, Civil Lines, Kanpur-208 001 • **Karnal:** 18/369, Char Chaman, Kunjpura Road, Behind Miglani Hospital, Karnal-132 001 • **Kolhapur:** 605/1/4, E Ward, Shahupuri 2nd Lane, Laxmi Niwas, Near Sultane Chambers, Kolhapur-416 001 • **Kolkata:** 166 A, Rashbihari Avenue, 2nd Floor, Opp. Fortish Hospital, Kolkata-700 029 • **Kota:** 29, 1st Floor, Near Lala Lajpat Rai Circle, Shopping Centre, Kota-324 007 • **Kottayam:** 1st Floor Csiascension Square, Railway Station Road, Collectorate P. O., Kottayam-686 002 • **Lucknow:** 1st Floor, A. A. Complex, Thaper House, 5 Park Road, Hazratganj, Lucknow - 226 001 • **Ludhiana:** SCO-136, 1st Floor, Above Airtel Showroom, Feroze Gandhi Market, Ludhiana-141 001 • **Madurai:** Rakesh Towers, 30-C, 1st Floor, Bye Pass Road, Opp. Nagappa Motors, Madurai-625 010 • **Malda:** Sahis Tuli, Under Ward No.6, No.1 Govt Colony, English Bazar Municipality, Malda-732 101 • **Mangalore:** Mahendra Arcade, Opp. Court Road, Karangal Padi, Mangalore-575 003 • **Meerut:** 1st Floor, Medi Centre, Opp. ICICI Bank, Hapur Road, Near Bachha Park, Meerut-250 002 • **Mehsana:** Ul-47, Apollo Enclave, Opp. Simandhar Temple, Modhera Cross Road, Mehsana-384 002 • **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Chowk Tari Khana, Moradabad-244 001 • **Mumbai:** 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind BSE Bldg., Fort, Mumbai-400 001 • **Mumbai - Borivali:** Gr. Floor, Himanshu Bldg., Sodawala Lane, Lina Chandawarkar Road, Borivali, Mumbai-400 091 • **Mumbai - Thane:** 101, Yashwant Building, Ram Ganesh, Godkari Path, Ram Maruti Road, Naupada, Thane-400 602 • **Mumbai - Vashi:** Shop No. 43-A, Ground Floor, Vashi Plaza Sector-17, Near Apna Bazar, Vashi-400 705 • **Muzaffarpur:** 1st Floor, Uma Market, Thana Gumtimoti Jheel, Muzaffarpur-842 001 • **Mysore:** L-350, Silver Tower, Ashoka Road, Opp. Clock Tower, Mysore-570 001 • **Nadiad:** 104/105, Near Paras Cinema, City Point Nadiad, Nadiad-387 001 • **Nagpur:** Plot No. 2/1, House No 102/1, Mangaldeep Appartment, Mata Mandir Road, Opp. Khandelwal Jewelers, Dharampeth, Nagpur-440 010 • **Nasik:** S-12, Suyojit Sankul, Sharanpur Road, Near Rajiv Gandhi Bhavan, Nasik-422 002 • **Navsari:** 1/1 Chinmay Arcade, Opp. Sattapir Road, Tower Road, Navsari-396 445 • **New Delhi:** 305, New Delhi House, 27, Barakhamba Road, New Delhi -110 001 • **Noida:** 405, 4th Floor, Vishal Chamber, Plot No. 1, Sector-18, Noida - 201 301 • **Panipat:** 1st Floor, Java Complex, Above Vijaya Bank, G.T. Road, Panipat-132103 • **Patiala:** SCO-27 D, Chotti Baradari, Near Car Bazaar, Patiala-147 001 • **Patna:** 3-A, 3rd Floor, Anand Tower, Exhibition Road, Opp. ICICI Bank, Patna-800 001 • **Pondicherry:** No. 7, Thiayagaraja Street, Pondicherry-605 001 • **Pune:** Mozaic Bldg, CTS No.1216/1, Final Plot No. 576/1 TP, Scheme No.1, F. C. Road, Bhamburda, Shivaji Nagar, Pune - 411 004 • **Raipur:** Shop No. 31 Third Floor, Millenium Plaza Above Indian House, Behind Indian Coffee House, Raipur 492 001 • **Rajkot:** 104, Siddhi Vinyak Complex, Opp. Ramkrishna Ashram, Dr. Yagnik Road, Rajkot, Rajkot-360 001 • **Ranchi:** Room No. 307, 3rd Floor, Commerce Tower, Beside Mahabir Tower, Ranchi-834 001 • **Rourkela:** 1st Floor, Sandhu Complex, Kachery Road, Uditnagar, Rourekla-769 012 • **Salem:** No. 40, 2nd Floor, Brindavan Road, Fairlands, Near Perumal Koil, Salem-636 016 • **Shillong:** Annex Mani Bhawan, Lower Thana Road, Near R K M Lp School, Shillong-793 001 • **Shimla:** Triveni Building, By Pas Chowk Khallini, Shimla-171 002 • **Siliguri:** Nanak Complex, Sevoke Road, Siliguri-734 001 • **Surat:** G-5, Empire State Buliding, Near Udhna Darwaja, Ring Road, Surat-395 002 • **Tirunelveli:** 55/18, Jeney Building, S.N. Road, Near Aravind Eye Hospital, Tirunelveli-627 001 • **Trichur:** 2nd Floor, Brothers Complex, Naikkanal Junction, Shornur Road Near Dhanalakshmi Bank H O, Thrissur-680 001 • **Trichy:** 60, Sri Krishna Arcade, Thennur High Road, Trichy-620 017 • **Trivandrum:** 2nd Floor, Akshaya Tower, Sasthamangalam, Trivandrum-695 010 • **Udaipur:** 201-202, Madhav Chambers, Opp. GPO, Chetak Circle, Udaipur-313 001 • **Vadodara:** 203, Corner point, Jetalpur Road, Vadodara - 390 007 • **Valsad:** Shop No. 2 , Phiroza Corner, Opp. Next Show Room, Tithal Road, Valsad-396 001 • **Vapi:** Shop No. 12, Ground Floor, Sheetal Appatment, Near K.P. Tower, Vapi-396 195 • **Varanasi:** D-64/132, 1st Floor, Anant Complex, Sagra, Varanashi-221 010 • **Vellore:** No. 1, M. N. R. Arcade, Officers Line, Krishna Nagar, Vellore-632 001 • **Vijayawada:** 39-10-7, Opp. Municipal Water Tank, Labbipet, Vijayawada-520 010 • **Visakhapatnam:** Door No: 48-8-7, Dwaraka Dimond, Gr. Floor, Srinagar, Visakhapatnam - 530 016 • **Warangal:** 5-6-95, 1st Floor, Opp. B.Ed Collage, Lashkar Bazar, Chandra Complex, Hanmakonda, Warangal-506 001.

*In addition to above, for all the Schemes, Eligible Brokers/Clearing Members/Depository Participants as defined in the SID will be considered as the Official Point of Acceptance for the transactions preferred through the MFSS.*

#### **Points of Service (“POS”) of MF UTILITIES INDIA PRIVATE LIMITED (“MFUI”) as Official Point of Acceptance:**

The Online Transaction Portal of MF Utility is [www.mfuonline.com](http://www.mfuonline.com) and the list of POS of MFUI is published on the website of MFUI at [www.mfuindia.com](http://www.mfuindia.com), as updated from time to time.

### List of Self Certified Syndicate Banks (SCSBs) under the ASBA process

Allahabad Bank, Andhra Bank, Axis Bank Ltd., Bank of America N. A., Bank of Baroda, Bank of India, Bank of Maharashtra, BNP Paribas, Canara Bank, Central Bank of India, CITI Bank, City Union Bank Ltd., Corporation Bank, DBS Bank Ltd., Dena Bank, Deutsche Bank, Dhanlaxmi Bank Limited, HDFC Bank Ltd., HSBC Ltd., ICICI Bank Ltd, IDBI Bank Ltd., Indian Bank, Indian Overseas Bank, IndusInd Bank, ING Vysya Bank, J P Morgan Chase Bank, N.A., Karnataka Bank Ltd., Karur Vysya Bank Ltd., Kotak Mahindra Bank Ltd., Nutan Nagarik Sahakari Bank Ltd., Oriental Bank of Commerce, Punjab National Bank, South Indian Bank, Standard Chartered Bank, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of India, State Bank of Mysore, State Bank of Patiala, State Bank of Travencore, Syndicate Bank, Tamilnad Mercantile Bank Ltd., The Ahmedabad Mercantile Co-Op. Bank Ltd., The Federal Bank, The Kalupur Commercial Co-operative Bank Ltd., The Lakshmi Vilas Bank Ltd., The Saraswat Co-Opearative Bank Ltd, The Surat Peoples Co-op Bank Ltd, UCO Bank, Union Bank of India, United Bank of India, Vijaya Bank, YES Bank Ltd.

For the complete list of controlling / designated branches of above mentioned SCSBs, please refer to the websites of SEBI, BSE and NSE at [www.sebi.gov.in](http://www.sebi.gov.in), [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

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#### *Name, Address and Website of Registrar:*

**Karvy Computershare Pvt. Ltd. (Unit: Principal Mutual Fund),** Karvy Registry House, #8-2-596, Avenue 4, Street No.1, Banjara Hills, Hyderabad – 500034.

• [www.karvycomputershare.com](http://www.karvycomputershare.com)

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