

APPLICABLE RISK FACTORS FOR INVESTMENT IN MUTUAL FUND SCHEMES

STANDARD RISK FACTORS

- Mutual Fund Schemes are not guaranteed or assured return products.
- 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 investment in a mutual fund Scheme may go up or down.
- In addition to the factors that affect the value of individual investments in the Scheme, the NAV of the Scheme may fluctuate with movements in the broader equity and bond markets and may be influenced by factors affecting capital and money markets in general, such as, but not limited to, changes in interest rates, currency exchange rates, changes in Government policies, taxation, political, economic or other developments and increased volatility in the stock and bond markets.
- Past performance does not guarantee future performance of any Mutual Fund Scheme.

SPECIFIC RISK FACTORS

Risks associated with investments in Equities:

- **Risk of losing money:**

Investments in equity and equity related instruments involve a degree of risk and investors should not invest in the equity schemes unless they can afford to take the risk of possible loss of principal.

- **Price Risk:**

Equity shares and equity related instruments are volatile and prone to price fluctuations on a daily basis.

- **Liquidity Risk for listed securities:**

The liquidity of investments made in the equities may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges. The inability of a mutual fund to sell securities held in the portfolio could result in potential losses to the scheme, should there be a subsequent decline in the value of securities held in the scheme portfolio and may thus lead to the fund incurring losses till the security is finally sold.

- **Event Risk:**

Price risk due to company or sector specific event.

Risks Associated with investment in Debt Securities and Money Market Instruments:

Debt Securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligation (Credit Risk) on the due date(s) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (Market

Risk).

The timing of transactions in debt obligations, which will often depend on the timing of the Purchases and Redemptions in the Scheme, may result in capital appreciation or depreciation because the value of debt obligations generally varies inversely with the prevailing interest rates.

- **Interest Rate Risk**

Market value of fixed income securities is generally inversely related to interest rate movement. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. Accordingly, value of a scheme portfolio may fall if the market interest rate rise and may appreciate when the market interest rate comes down. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.

- **Credit Risk**

This is risk associated with default on interest and /or principal amounts by issuers of fixed income securities. In case of a default, scheme may not fully receive the due amounts and NAV of the scheme may fall to the extent of default. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It may be mentioned here that a government security is a sovereign security and is safer. Corporate bonds carry a higher amount of credit risk than government securities. Within corporate bonds also there are different levels of safety and a bond rated higher by a rating agency is safer than a bond rated lower by the same rating agency.

- **Spread Risk**

Credit spreads on corporate bonds may change with varying market conditions. Market value of debt securities in portfolio may depreciate if the credit spreads widen and vice versa. Similarly, in case of floating rate securities, if the spreads over the benchmark security / index widen, then the value of such securities may depreciate.

- **Liquidity Risk**

Liquidity risk refers to the ease with which securities can be sold at or near its valuation yield-to-maturity (YTM) or true value. Liquidity condition in market varies from time to time. The liquidity of a bond may change, depending on market conditions leading to changes in the liquidity premium attached to the price of the bond. In an environment of tight liquidity, necessity to sell securities may have higher than usual impact cost. Further, liquidity of any particular security in portfolio may lessen depending on market condition, requiring higher discount at the time of selling.

The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of some of these investments. Different segments of the Indian financial markets have different settlement periods, and such periods may be extended significantly by unforeseen circumstances. Further, delays in settlement could result in temporary periods when a portion of the assets of the Scheme are not invested and no return is earned thereon or the Scheme may miss attractive investment opportunities.

At the time of selling the security, the security may become illiquid, leading to loss in value of the portfolio. The purchase price and subsequent valuation of restricted and illiquid securities may reflect a discount, which may be significant, from the market price of comparable securities for which a liquid market exists.

- **Counterparty Risk**

This is the risk of failure of the counterparty to a transaction to deliver securities against consideration received or to pay consideration against securities delivered, in full or in part or as per the agreed specification. There could be losses to the fund in case of a counterparty default.

- **Prepayment Risk**

This arises when the borrower pays off the loan sooner than the due date. This may result in a change in the yield and tenor for the mutual fund scheme. When interest rates decline, borrowers tend to pay off high interest loans with money borrowed at a lower interest rate, which shortens the average maturity of Asset-backed securities (ABS). However, there is some prepayment risk even if interest rates rise, such as when an owner pays off a mortgage when the house is sold or an auto loan is paid off when the car is sold. Since prepayment risk increases when interest rates decline, this also introduces reinvestment risk, which is the risk that the principal may

only be reinvested at a lower rate.

- **Re-investment Risk**

Investments in fixed income securities carry re-investment risk as the interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond (the purchase yield of the security). This may result in final realized yield to be lower than that expected at the time

The additional income from reinvestment is the "interest on interest" component. There may be a risk that the rate at which interim cash flows can be reinvested are lower than that originally assumed.

Risk associated with investment in Exchange Traded Funds

- **Absence of Prior Active Market:** Although the units of ETFs are listed on the Stock Exchange for trading, there can be no assurance that an active secondary market will develop or be maintained.

- **Lack of Market Liquidity:** Trading in units of ETFs on the Stock Exchange on which it is listed may be halted because of market conditions or for reasons that, in the view of the concerned Stock Exchange or Market Regulator, trading in the ETF Units is inadvisable. In addition, trading in the units of ETFs is subject to trading halts caused by extraordinary market volatility pursuant to ‘circuit breaker’ rules. There can be no assurance that the requirements of the concerned Stock Exchange necessary to maintain the listing of the units of ETFs will continue to be met or will remain unchanged.
- **Units of Exchange Traded Funds May Trade at Prices Other than NAV:** Units of Exchange Traded Funds may trade above or below their NAV. The NAV of Units of Exchange Traded Funds may fluctuate with changes in the market value of a Scheme’s holdings. The trading prices of units of ETF will fluctuate in accordance with changes in their NAVs as well as market supply and demand. However, given that ETFs can be created / redeemed in Creation Units, directly with the fund, large discounts or premiums to the NAVs will not sustain due to arbitrage possibility available.
- **Regulatory Risk:** Any changes in trading regulations by the Exchange or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to NAV. Although The scheme is proposed to be listed on Exchange, the AMC and the Trustees will not be liable for delay in listing of Units of the Scheme on Exchange / or due to connectivity problems with the depositories due to the occurrence of any event beyond their control.
- **Political Risks:** Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved removal of trade barriers and protectionist measures, which could adversely affect the value of investments. It is possible that the future changes in the Indian political situation, including political, social or economic instability, diplomatic developments and changes in laws and regulations could have an effect on the value of investments. Expropriation, confiscatory taxation or other relevant developments could affect the value of investments.
- **Right to Limit Redemptions:** The Trustee, in the general interest of the unit holders of the Scheme offered under this Scheme Information Document and keeping in view of the unforeseen circumstances/unusual market conditions, may limit the total number of Units which can be redeemed on any Business Day depending on the total “Saleable Underlying Stock” available with the fund.
- **Redemption Risk:** The Unit Holders may note that even though this is an open ended scheme, the Scheme would ordinarily repurchase Units in Creation Unit size. Thus unit holdings less than the Creation Unit size can normally only be sold through the secondary market unless no quotes are available on the Exchange for 3 trading days consecutively.

- **Asset Class Risk:** The returns from the types of securities in which a Scheme invests may underperform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of out-performance and under performance in comparison of the general securities markets.
- **Passive Investments:** As the Scheme is not actively managed, the underlying investments may be affected by a general decline in the Indian markets relating to its Underlying Index. The scheme invests in the securities included in its underlying index regardless of their investment merit. The AMC does not attempt to take defensive positions in declining markets. Further, the fund manager does not make any judgment about the investment merit nor shall attempt to apply any economic, financial or market analysis.
- **Tracking Error Risk:** Factors such as the fees and expenses of the Scheme, cash balance, changes to the Underlying assets and regulatory policies may affect AMC's ability to achieve close correlation with the Underlying assets of the scheme. The Scheme's returns may therefore deviate from those of its Underlying assets.
- **Tracking Error of ETFs** is likely to be low as compared to a normal index fund. Due to the Creation / Redemption of units through the in-kind mechanism the fund can keep lesser funds in cash. Also, time lag between buying / selling units and the underlying shares is much lower. The Investment Manager would monitor the tracking error of the Scheme on an ongoing basis and would seek to minimize tracking error to the through regular rebalancing of the portfolio. Under normal circumstances, such tracking errors are not expected to exceed 2% per annum. However, this may vary when the markets are very volatile. However, there can be no assurance or guarantee that the Scheme will achieve any particular level of tracking error relative to performance of the Underlying Index.

Risk specific to investing in securities forming part of Underlying index and Risks:

The scheme is passively a managed Index Scheme i.e. the amount collected under the scheme is invested in securities of companies comprising the underlying index in the same weightages as they have in the underlying index. The composition of the underlying index is subject to changes that may be affected periodically by the Index Service Provider. Performance of the underlying index will have a direct bearing on the performance of the scheme. The extent of the Tracking error may have an impact on the performance of the scheme.

- **Risks associated with Tracking errors/ difference:**

Tracking error means the extent to which the NAV of the scheme moves in a manner inconsistent with the movements of the benchmark index on any given day or over any given period of time due to any cause or reason whatsoever including but not limited to expenditure incurred by the scheme, dividend payouts if any, whole cash not invested at all times as it may keep a portion of funds in cash to meet redemption etc. The tracking error i.e. the annualized standard deviation of the difference in daily returns between the underlying index or goods and the NAV of the Scheme based on past one year rolling data

shall not exceed 2%. In case of unavoidable circumstances in the nature of force majeure, which are beyond the control of the AMCs, the tracking error may exceed 2% and the same shall be brought to the notice of Trustees with corrective actions taken by the AMC, if any. However, the Scheme will endeavor to limit the tracking error within 2% limits. For ETFs/ Index Funds in existence for a period of less than one year, the annualized standard deviation shall be calculated based on available data. Tracking difference is the difference of return between the scheme and benchmark annualized over 1 year, 3 year, 5 years, 10 years and since inception period.

Tracking error/ difference could be the result of a variety of factors including but not limited to:

- Delay in the purchase or sale of stocks within the benchmark due to
 - Illiquidity in the stocks, circuit filters on the stocks
 - Impact, if any, of securities received on corporate action
- Delay in realisation of sale proceeds, receipt of information of inflows from RTA/ Banks etc.
- The scheme may buy or sell the stocks comprising the index at different points of time during the trading session at the then prevailing prices which may not correspond to its closing prices.
- Investments in securities must be made in whole numbers; therefore, the quantity of shares should be rounded accordingly.
- The potential for trades to fail, which may result in the Scheme not having acquired the securities at a price necessary to track the benchmark price
- Index providers may either exclude or include new scrips in their periodic review of the stocks that constitute the underlying index. In such situations the scheme will endeavour to rebalance the portfolio in line with the index. But, may not be able to mirror the index immediately due to the available investment/reinvestment opportunity.
- The holding of a cash position and accrued income prior to distribution of income and payment of accrued expenses.
- Disinvestments to meet redemptions, recurring expenses, payouts of IDCW etc.
- Execution of large buy / sell orders
- Delay in credit of securities
- Transaction cost and recurring expenses
- Delay in realisation of Unit holders' funds
- Levy of margins by exchanges

SEBI / other Regulatory restrictions on investments and/ or divestments by the scheme / Mutual Fund, which are outside the control of AMC, which may further cause / impact the tracking error.

Risks associated with Capital Markets or Equity Markets (i.e. Markets in which Equity Shares or Equity oriented instruments are issued and traded)

- **Price fluctuations and Volatility:**

Mutual Funds, like securities investments, are subject to market and other risks and there can be neither a guarantee against loss resulting from an investment in the Scheme nor any assurance that the objective of the Scheme will be achieved. The NAV of the Units issued under the Scheme can go up or down because of various factors that affect the capital market in general, such as, but not limited to, changes in interest rates, government policy and volatility in the capital markets. Pressure on the exchange rate of the Rupee may also affect security prices.

- **Concentration / Sector Risk:**

When a Mutual Fund Scheme, by mandate, restricts its investments only to a particular sector; there arises a risk called concentration risk. If the sector, for any reason, fails to perform, the portfolio value will plummet and the Investment Manager will not be able to diversify the investment in any other sector. Investments under this scheme will be predominantly in equity or equity related stocks spanning across the selected theme. Hence the concentration risks could be high.

- **Liquidity Risks:**

Liquidity in Equity investments may be affected by trading volumes, settlement periods and transfer procedures. These factors may also affect the Scheme's ability to make intended purchases/sales, cause potential losses to the Scheme and result in the Scheme missing certain investment opportunities.

Risk associated with Securities Lending:

In the case of securities lending, there is a possibility of recall of securities lent at a higher premium than at which the security is lent or unable to recall due to low volume. Additional risk on securities lending is that there can be temporary illiquidity of the securities that are lent out and the Fund may not be able to sell such lent-out securities, resulting in an opportunity loss. In case of a default by counterparty, the loss to the Fund can be equivalent to the securities lent.

Risks associated with Debt / Money Markets (i.e. Markets in which Interest bearing Securities or Discounted Instruments are traded)

- **Credit Risk:**

Securities carry a Credit risk of repayment of principal or interest by the borrower. This risk depends on micro-economic factors such as financial soundness and ability of the borrower as also macro-economic factors such as Industry performance, Competition from Imports, Competitiveness of Exports, Input costs, Trade barriers, Favorability of Foreign Currency conversion rates, etc.

Credit risks of most issuers of Debt securities are rated by Independent and professionally run rating agencies. Ratings of Credit issued by these agencies typically range from "AAA" (read as "Triple A" denoting "Highest Safety") to "D" (denoting "Default"), with about 6 distinct ratings between the two extremes.

The highest credit rating (i.e. lowest credit risk) commands a low yield for the borrower. Conversely, the lowest credit rated borrower can raise funds at a relatively higher cost. On account of a higher credit risk for lower rated borrowers lenders prefer higher rated instruments further justifying the lower yields

- **Price-Risk or Interest-Rate Risk:**

From the perspective of coupon rates, Debt securities can be classified in two categories, i.e., Fixed Income bearing Securities and Floating Rate Securities. In Fixed Income Bearing Securities, the Coupon rate is determined at the time of investment and paid/received at the predetermined frequency. In the Floating Rate Securities, on the other hand, the coupon rate changes - 'floats' - with the underlying benchmark rate, e.g., MIBOR, 1 yr. Treasury Bill.

Fixed Income Securities (such as Government Securities, bonds, debentures and money market instruments) where a fixed return is offered, run price-risk. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, the payment-frequency of such coupon, days to maturity and the increase or decrease in the level of interest rates. The prices of Government Securities (existing and new) will be influenced only by movement in interest rates in the financial system. Whereas, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced not only by the change in interest rates but also by credit rating of the security and liquidity thereof. However, debt securities in the scheme are intended to be held till maturity. For such securities held till maturity, there will not be any interest rate risk at the end of the tenure.

Floating rate securities issued by a government (coupon linked to treasury bill benchmark or a real return inflation linked bond) have the least sensitivity to interest rate movements, as compared to other securities. The Government of India has already issued a few such securities and the Investment Manager believes that such securities may become available in future as well. These securities can play an important role in minimizing interest rate risk on a portfolio.

- **Risk of Rating Migration:**

The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA rated security with a maturity period of 3 years, a coupon of 10.00% p.a. and a market value of Rs. 100. If it is downgraded to A category, which commands a market yield of, say, 11.00% p.a., its market value would drop to Rs. 97.53 (i.e. 2.47%) If the security is up-graded to AAA category which commands a market yield of, say, 9.00% p.a. its market value would increase to Rs102.51 (i.e. by 2.51%). The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating.

Rating	Yield (% p.a.)	Market Value (Rs.)
AA	10.00	100.00

If upgraded to AAA	9.00	102.51
If downgraded to A	11.00	97.53

- **Basis Risk:**

During the life of floating rate security or a swap the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

- **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.

- **Reinvestment Risk:**

Investments in fixed income securities may carry reinvestment 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.

- **Liquidity Risk:**

The corporate debt market is relatively illiquid vis-a- vis the government securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Liquidity in a scheme therefore may suffer. Even though the Government Securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. In view of this, redemption may be limited or suspended after approval from the Boards of Directors of the AMC and the Trustee, under certain circumstances as described in the Statement of Additional Information (SAI).

Risks associated with investments in Derivative Instruments:

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 investment.

The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments. There are certain risks inherent in derivatives. These are:

- a)** Basis Risk – This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying being hedged for e.g. mismatch between the maturity date of the futures and the actual selling date of the asset.
- b)** Limitations on upside: Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.
- c)** Liquidity risk pertains to how saleable a security is in the market. All securities/instruments irrespective of whether they are equity, bonds or derivatives may be exposed to liquidity risk (when the sellers outnumber buyers) which may impact returns while exiting opportunities.
- d)** In case of investments in index futures, the risk would be the same as in the case of investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks. In case futures are used for hedging a portfolio of stocks, which is different from the index stocks, the extent of loss could be more or less depending on the coefficient of variation of such portfolio with respect to the index; such coefficient is known as Beta.
- e)** The risk related to hedging for use of derivatives, (apart from the derivatives risk mentioned above) is that event of risk, which we were anticipating and hedged our position to mitigate it, does not happen. In such case, the cost incurred in hedging the position would be a avoidable charge to the scheme net assets.
- f)** Credit Risk – The credit risk in derivative transaction is the risk that the counter party will default on its obligations and is generally low, as there is no exchange of principal amounts in a IRS / IRF derivative transaction. With the phased implementation of physical settlement of stocks in equity derivative segment, though there is an element of risk of stock / funds not being received, the same is mitigated due to settlement guarantee similar to equity cash market segment.
- g)** Interest Rate Risk – interest rate is one of the variables while valuing derivatives such as futures & options. For example, with everything remaining constant, when interest rates increase, the price of Call option would increase. Thus, fluctuations in interest rates would result in volatility in the valuation of derivatives.
- h)** Model Risk - A variety of models can be used to value options. Hence, the risk to the fund is that the fund manager buys a particular option using a particular valuation model (on the basis of which the option seems to be fairly priced or cheap) but the market is valuing it using another valuation model and according to which the option may be expensive.
- i)** The risk (loss) for an option buyer is limited to the premium paid, while the risk (loss) of an option writer is unlimited, the latter's gain being limited to the premiums earned. However, in the case of the Fund, all option positions will have underlying assets and therefore all losses due to price-movement beyond the strike price will actually be an opportunity loss. The writer of a put option bears a risk of loss if the value of the underlying asset declines below the strike price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the strike price.

Numerical example of risk involved (For illustration purposely only)

Due to ease of execution and settlement, index futures are an efficient way of buying / selling an Index compared to buying / selling a portfolio of physical shares representing an Index. Index futures can be an efficient way of achieving a Scheme's investment objectives. Index futures may do away with the need for trading in individual components of the Index, which may not be possible at times, keeping in mind the circuit filter system and the liquidity in some of the scripts. Index futures can also be helpful in reducing transaction costs and processing costs on account of ease of execution of one trade compared to several trades of shares comprising the Index and will be easy to settle compared to physical portfolio of shares representing an Index

The National Stock Exchange and the Bombay Stock Exchange introduced Index futures on Nifty (NSE-50) and Sensex (BSE 30) for three serial months. For example, in the month of April 2024, three futures were available i.e. May, June and July 2024, each expiring on the last working Thursday of the respective month

Let us assume the Nifty Index was 19,638.3 as on May 30, 2025 and three future indices were available as under:

Month	Bid Price	Offer Price
Jun 2025	19708	19710
July 2025	19824	19828
Aug 2025	19930	19940

The Fund could buy an Index of Jun 2025 as on May 30, 2025 at an offer price of 19710. The Fund would have to pay the initial margin as regulated by the exchanges and settle its Index position with daily marked to market i.e. receive profits/pay losses on a daily basis.

The following is a hypothetical example of a typical index future trade and the associated costs compared with physical stocks.

(Amount in Rupees)

Particulars	Index Future	Actual Purchase of Stocks
Index as on May 30, 2025	19638.3	19638.3
Jun 2025 Futures Cost	19710	
A. Execution Cost		
Carry costs (19710-19638.3)	71.7	Nil

B. Brokerage Cost		
Assumed at 0.02% for Index Future and 0.05% for spot stocks (0.02% of 19710) (0.05% of 19638.3)	3.94	9.82
C. Securities Transaction Tax STT for Index Futures is Nil STT for Spot Stocks is 0.10% (0.10% of 19638.3)	Nil	19.64
D. Gains on Surplus Funds (Assuming 6% return on 81% of the money left after paying (19% margin) (6% x 19638.3 x 81% x 27 days ÷ 365)	(70.6)	Nil
Cash Market/ Sale Price at expiry	19800	19800
E. Brokerage on Sale		
Assumed at 0.02% for Index Future and 0.05% for Spot stocks (0.02% of 19800) (0.05% of 19800)	3.96	9.9
F. Securities Transaction Tax	2.48	19.8

STT for Index Futures is 0.0125% STT for Spot Stocks is 0.10% (0.0125% of 19800) (0.10% of 19800)		
Total Cost (A+B+C-D+E+F)	11.48	59.16
Profit	150.22	102.54

As the above example demonstrates, the cost differential between purchasing Index Future and 50 stocks comprising Nifty (NSE-50) is a function of the carrying cost, the interest earned available to Fund Managers and the brokerage cost applicable in both cases. However, as mentioned earlier, as the Indian equity markets continues to have limitations in execution of trades due to the lack of adequate liquidity and the concept of circuit breakers, index future can allow a fund to buy all the stocks comprising the index at a nominal additional cost.

Please note that the above example is hypothetical in nature and the figures, brokerage rates etc. are assumed. In case the execution and brokerage costs on purchase of Index Futures are high and the returns on surplus funds are less, buying of index future may not be beneficial as compared to buying stocks comprising the Index. The actual return may vary based on actuals and depends on final guidelines / procedures and trading mechanism as envisaged by stock exchanges and other regulatory authorities.

Risks associated with segregated portfolio

- Investor holding units of segregated portfolio may not be able to liquidate their holding till the time realisable value is recovered.
- Security comprising of segregated portfolio may realise lower value or may realise zero value.
- Listing of units of segregated portfolio in recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further trading price of units on the stock market may be significantly lower than the prevailing NAV.
- Ascertaining fair value of segregated securities may be difficult in the absence of an active securities market.

Risk associated with investment in Government securities and Triparty repo on Government securities or treasury bills:

- The mutual fund is a member of securities segment and Triparty repo on Government securities or treasury bills trade settlement of the Clearing Corporation of India (CCIL). All transactions of the mutual fund in government securities and in Triparty repo on Government securities or treasury bills

trades are settled centrally through the infrastructure and settlement systems provided by CCIL; Thus, reducing the settlement and counter party risks considerably for transactions in the said segments.

- The members are required to contribute towards margin obligation (Initial / Mark to Market etc.) as per bye-laws of CCIL as also an amount as communicated by CCIL from time to time to the default fund maintained by CCIL as a part of the default waterfall (a loss mitigating measure of CCIL in case of default by any member in discharging their obligation. As per the waterfall mechanism, after the defaulter's margins and the defaulter's contribution to the default fund have been appropriated, CCIL's contribution is used to meet the losses. Post utilization of CCIL's contribution if there is a residual loss, it is appropriated from the default fund contributions of the non-defaulting members as determined by CCIL.
- Thus, the scheme is subject to risk of the initial margin and default fund contribution being invoked in the event of failure of any settlement obligations. In addition, the fund contribution is allowed to be used to meet the residual loss in case of default by the other clearing member (the defaulting member).
- CCIL maintains two separate Default Funds in respect of its Securities Segment, one with a view to meet losses arising out of any default by its members from outright and repo trades and the other for meeting losses arising out of any default by its members from Triparty repo on Government securities or treasury bills trades. The mutual fund is exposed to the extent of its contribution to the default fund of CCIL, in the event that the contribution of the mutual fund is called upon to absorb settlement/ default losses of another member by CCIL, as a result the scheme may lose an amount equivalent to its contribution to the default fund.

- **Risk associated with investing in Mutual fund units.**

Investment in units of Mutual Fund scheme 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 underlying securities in which the mutual fund scheme invests fluctuates, the value of units of mutual fund scheme may go up or down. The value of underlying securities may be affected, inter-alia, by changes in the market, interest rates, changes in credit rating, trading volumes, settlement periods and transfer procedures; the NAV is also exposed to Price/Interest-Rate Risk and Credit Risk and may be affected inter-alia, by government policy, volatility and liquidity in the money markets and pressure on the exchange rate of the rupee. Investment in units of mutual fund scheme is also exposed to risk of suspension of subscriptions / redemptions of the units, change in fundamental attributes application of swing pricing, Segregation of portfolios etc. Swing pricing / segregation of portfolios risks may amongst things realise lower and/or nil value on redemption of underlying units. Since the Scheme may invest in schemes of Mutual Funds, scheme specific risk factors of each such mutual fund schemes will be applicable to the Scheme portfolio.

- **Risk factors associated in investing in units of REITS:**

- Market Risk – Units of REITS are subject to market and other risks. The value of these units can go up or down because of various factors that affect the capital market in general, such as, but not limited to, changes in interest rates, government policy and volatility in the capital markets
- Liquidity Risk - Liquidity in units of REITs may be affected by trading volumes, settlement periods and transfer procedures. These factors may also affect the Scheme's ability to make intended purchases/sales, cause potential losses to the Scheme and result in the Scheme missing certain investment opportunities. These factors can also affect the time taken by Groww Mutual Fund for redemption of Units, which could be significant in the event of receipt of a very large number of redemption requests or very large value redemption requests. In view of this, redemption may be limited or suspended after approval from the Boards of Directors of the AMC and the Trustee, under certain circumstances as described in the Statement of Additional Information. InvITs currently only have a nascent primary market. As such, in absence of the secondary market, the invested units cannot be redeemed except where the issuer is offering a buyback or delisting the units
- Re-investment Risk – Investments in REITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of distribution of dividend, interest etc. Consequently, the proceeds may get invested at a lower rate
- Performance Risk - REITS carry a performance risk by way of repayment of principal or of interest by the borrower. REITs are likely to have volatile cash flows as the repayment dates would not necessarily be prescheduled.

A) In case of Equity Index Fund

Scheme Specific Risk Factors

Tracking errors are inherent in any index fund and such errors may cause the schemes to generate returns which are not in line with the performance of the Underlying index or one or more securities covered by / included in the Underlying index and may arise from a variety of factors. Delayed realizations, cash for redemptions can result into tracking error, including transactions costs of investments etc.

The Scheme is subject to the principal risks described below. Some or all of these risks may adversely affect Scheme's NAV trading price, yield, total return and/or its ability to meet its objectives.

- 1) The NAV of the units is closely related to the value of stocks that form a part of the benchmark index. The value of this will react to stock market movements and may result in changes in the NAV of units under the scheme. There could also be movements in the scheme's NAV due to changes in interest rates, macro-economic and political developments and over longer periods during market downturns;
- 2) Tracking error may have an impact on the performance of the scheme. However, KMAMC will endeavor to minimize the tracking error through regular rebalancing of the portfolio.
- 3) The Scheme is a passively managed scheme and provides exposure to the benchmark and tracking its performance and yield. The Schemes performance may be affected by a general price decline in the stock markets. The Scheme invests in the stocks comprising the index regardless of their investment merit. The Mutual Fund does not attempt to take defensive positions in declining markets.
- 4) As the scheme proposes to invest not less than 95% of the net assets in securities comprising of underlying index, any deletion of stocks from or addition to in Underlying index may require sudden and immediate liquidation or acquisition of such stocks at the prevailing market prices irrespective of whether valuation of stocks is attractive enough. This may not always be in the interest of unitholders.
- 5) The performance of the Underlying index will have a direct bearing on the performance of the scheme. Hence any composition change by virtue of

weightage or stocks selection will have an impact on the scheme.

- 6) Capital Gains Impact: Investors who trade in the Fund may be subject to Long Term Capital Gains or Short Term Capital Gains. Investors are requested to consult their tax / legal consultants before investing in the scheme.
- 7) The scheme will attract provisions of take over regulations, if KMMF invests in more than 10% of the paid up capital of a company and therefore may result into tracking errors and / or may not be able to accept further subscription in the Scheme.
- 8) The Index reflects the prices of securities at a point in time, which is the price at close of business day on the stock exchange. The Scheme, however, may at times trade these securities at different points in time during the trading session and therefore the prices at which the Plan trade may not be identical to the closing price of each scrip on that day on the BSE / NSE. In addition, the Scheme may opt to trade the same securities on different exchanges due to price or liquidity factors, which may also result in traded prices being at variance, from BSE / NSE closing prices.

Risks associated with ‘Right to limit redemptions

Subject to the approval of Board of Directors of the AMC and Trustee Company and immediate intimation to SEBI, a restriction on redemptions may be imposed by the Scheme under certain exceptional circumstances, which the AMC / Trustee believe that may lead to a systemic crisis or event that constrict liquidity of most securities or the efficient functioning of markets. Please refer to the paragraph “Right to Limit Redemptions” for further details including the procedure to be followed while imposing restriction on redemptions.

Risks Factors associated with transaction in Units through stock exchange(s)

In respect of transaction in Units of the Scheme through BSE and / or NSE, allotment and redemption of Units on any Business Day will depend upon the order processing / settlement by BSE and / or NSE and their respective clearing corporations on which the Fund has no control.

Backstop facility in form of investment in CDMDF: CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund (‘AIF’) in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”). The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility to instill confidence amongst the market participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors (i.e., specified debt-oriented MF schemes to begin with) and sell as markets recover. The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus, this backstop facility will help Fund Manager(s) of the Scheme to better generate liquidity during market dislocation to help the Scheme fulfill liquidity obligations under stress situation. In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with Chapter 16A on ‘Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund’ of SEBI Master Circular, the Scheme shall invest 25 bps of its AUM as on December 31, 2022, in the units of the Corporate Debt Market Development Fund (‘CDMDF’). An incremental contribution to CDMDF shall be made every six months to ensure 25 bps of the Scheme’s AUM is invested in units of CDMDF. However, if AUM decreases, there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

Risk factors associated with repo transactions in Corporate Debt Securities Counterparty Risk

This refers to the inability of the seller to meet the obligation to buy back securities at the contracted price. Fund Manager will endeavor to manage counterparty risk by dealing only with counterparties having strong credit profiles assessed through in-house credit analysis and / or with regulated entities. In the event of default by the repo

counterparty, the Scheme will have recourse to the corporate debt securities given as collateral to recover the investment by selling the collateral in the market. However, selling of collateral will also be subject to liquidity risk in the market and the Scheme may incur impact cost at the time of selling the collateral. Collateral Risk: Collateral risk arises when the market value of the securities is inadequate to meet the repo obligations or there is downward migration in rating of collateral. Further if the rating of collateral goes below the minimum required rating during the term of repo or collateral becomes ineligible for any reason, counterparty will be expected to substitute the collateral. In case of failure to do so, the AMC / Scheme will explore the option for early termination of the trade.

Risks associated with investment in Foreign Securities:

The value of an investment in a foreign issuer's securities may depend on general global economic factors or specific economic and political factors relating to the country or countries in which the foreign issuer operates. To the extent the assets of the Scheme are invested in overseas financial assets, there may be risk associated with fluctuation in foreign exchange rates, restriction on repatriation of capital and earnings under the exchange control regulations and transaction procedure in overseas market. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls, political circumstances, bi-lateral conflicts or prevalent tax laws. Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of such Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management and hedging and portfolio rebalancing and in accordance with conditions as may be stipulated under the Regulations and by RBI from time to time. The Scheme may have to pay applicable taxes on gains from such investment. Investment in foreign securities carries currency risk. Currency risk is a form of risk that arises from the change in price of one currency against other. The exchange risk associated with a foreign denominated instrument is a key element in foreign investment. This risk flows from differential monetary policy and growth in real productivity, which results in differential inflation rates. The risk arises because currencies may move in relation to each other. The Scheme will be investing in overseas markets as per the asset allocation of the scheme and headroom available to the Mutual Fund. However, the said limits/headroom shall be guided by the SEBI/RBI circulars/guidelines issued in this regard from time to time. In case of exhaustion of the overall limits of the Scheme/Fund (as applicable) or in other cases as directed by SEBI/RBI, the scheme may limit or temporary suspend the further subscriptions of the Scheme in overseas market.

For further details on scheme-specific risk factors and the risks associated with the instruments in which the scheme invests, kindly refer to the Scheme Information Document (SID) of the respective scheme, available on the website www.groww.in.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.