Groww Mutual Fund

Policy on Small Cap and Mid Cap Equity Scheme

Version Control Matrix

Approver	Board of AMC & Trustees
Owner	Risk Management Team
Date of Approval	24th February 2026
Status	Approved
Version	2.1/2025-26

Background:

To protect the interest of all investors, SEBI has, vide an email dated February 27, 2024, directed AMFI to communicate the following to the Trustees of all mutual funds

1. Appropriate and proactive measures to be taken by AMCs and Fund Managers to protect investors, including but not limited to moderating inflows, portfolio rebalancing, etc.
2. Steps to ensure that investors are protected from the first mover advantage of redeeming investors.

Active Scheme(s) : The Fund Managers of these schemes shall ensure adequate liquidity is always maintained in the fund to manage the day-to-day redemptions in timely manner. The liquidity can be maintained through cash position as well as positions in stocks with higher trading volume liquidity.

In case there is adverse situation in the market and fund manager is of the view that adequate measures shall be taken further to restrict inflow/ outflow in order to protect interest of the unitholders then in consultation with Investment committee (IC) below mentioned measures can be taken:

- AMC will stop the fresh inflow including lumpsum Investment, Systematic investment Plan (SIP) or Systematic Transfer plan (STP)
- Existing systematic investments shall be allowed
- AMC will restrict the redemption in line with the SEBI circular SEBI/HO/IMD/DF2/CIR/P/2016/57 dated May 31, 2016, on Restriction on redemption in Mutual Funds)

The above-mentioned restriction will not apply to the investment in line with the SEBI alignment of interest circular for AMC and Key employees.

Restriction on Redemption as per SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2016/57 dated May 31, 2016

Restriction on redemption should apply during excess redemption requests that could arise in overall market crisis situations rather than exceptional circumstances of entity specific situations. The circumstances calling for restriction on redemption should be such that illiquidity is caused in almost all securities affecting the market at large, rather than in any issuer specific securities.

Restriction may be imposed when there are circumstances leading to a systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets such as

Liquidity issues - When the market at large becomes illiquid affecting almost all securities rather than any issuer specific security. Further, restriction on redemption due to illiquidity of a specific security in the portfolio of a scheme due to a poor investment decision, shall not be allowed.

Market failures, exchange closures - When markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies.

Operational issues – when exceptional circumstances are caused by force majeure, unpredictable operational problems and technical failures (e.g. a black out). Such cases can only be considered if they are reasonably unpredictable and occur in spite of appropriate diligence of third parties, adequate and effective disaster recovery procedures and systems.

When restriction on redemption is imposed, the following procedure will apply.

- Restriction on redemption will be imposed for a specified period of time not exceeding 10 working days in any 90 days period.
- No restriction on redemption requests upto INR 2 lakh
- Where redemption requests are above INR 2 lakh, AMCs will redeem the first INR 2 lakh without such restriction and remaining part over and above INR 2 lakh shall be subject to such restriction.
- Facility of restriction on redemption can be made only after the approval from the Board of Directors of the Asset Management Company (AMC) and the Trustees. The same should be informed to SEBI immediately.

Stress testing for Small Cap and Mid Cap (Applicable to Active Schemes)

AMC will conduct the stress testing for Small Cap as well as Mid Cap active Schemes on monthly basis and will disclose on AMC as well as AMFI website as per AMFI prescribed format and guidelines.

The AMC perform the stress testing of its portfolio on monthly basis which includes monitoring liquidity risk due to concentration at security and portfolio level, days to liquidate the portfolio at various levels of market volume etc and the same would be publish on AMC as well as AMFI website as per AMFI prescribed format and guidelines.

The liquidity position and results of stress testing are reviewed by the Investment Committee (IC) monthly and reported to the Board of AMC and Trustees on a quarterly basis.

Risk disclosure to Investors

The inherent risk factors in small cap and mid cap schemes must be informed to investors through the scheme information document (SID). Investors are informed that mutual fund investments are subject to market risks. Hence, Investors are advised to read al scheme documents carefully before investing , including the risk factors and other periodic disclosures made by the AMC.

Reporting and Exceptions handling

Any deviation of this policy will be require prior approval of Investment committee.

Policy changes and updates

Any change / updates to the policy will be approved by Board of Trustee and Board of AMC at least once every year to ensure that the policy continues to reflect the evolving market scenario.

Reference

- SEBI/HO/IMD/DF2/CIR/P/2016/57 dated May 31, 2016, on Restriction on redemption in Mutual Funds
- 35P/MEM-COR/116/2023-24 dated 27th February 2024 on Policy to be put in place by Mutual Fund to protect the interest of Investors of small cap and Mid Cap Schemes
- 35P/ MEM-COR/118/2023-24 dated 29th February 2024 on Advisory for disclosure of Risk parameters in respect of Mid Cap and Small Cap Equity scheme on AMC Website (Stress testing for Small Cap and Mid Cap active Schemes)