

Mirae Asset Investment Managers (India) Private
Limited IFSC Branch
Investment Policy – Equity

Change Matrix

Sr. No	Type of Information	Document Data
1.	Document Title	Investment Policy - Equity
2.	Date of Release	February 2026
3.	Document Revision No	Version 2
4.	Document Author	Mr. Akash Srivastava
5.	Document Reviewer	Ms. Rimmi Jain
6.	Approved by the Board	Approved by the Board of Directors of Mirae Asset Investment Managers (India) Pvt. Ltd. in its meeting held on _____
7.	Change description	Policy reviewed pursuant to Annual Review. No changes observed

Equity Investment Policy Manual

1. Background	3
2. Investment Philosophy.....	3
3. Investment Team.....	3
3.1 Roles of the Functionaries in the Investment Team.....	3
3.1.1 Roles of Head of equity and CIO - Fixed Income.....	3
3.1.2 Roles of the Fund Managers.....	4
3.1.3 Roles of Research Analysts.....	4
3.1.4 Role of Risk Manager.....	4
3.1.5 Roles of Dealers.....	4
3.1.6 Relief and Substitution arrangement.....	5
4. Investment Committee.....	5
4.1 Constitution.....	5
4.2 Quorum.....	6
4.3 Functions.....	6
4.4 Investment Committee Meetings.....	6
5. Investment Process-Equity	6
5.1 Recommendation for purchase not supported by a Buy Report	6
5.2 Investment Approval process.....	6
5.3 Validity of Discussion Sheets	6
5.4 Discretion to invest in select scrip.....	6
5.5 Definition of Illiquid Stocks & Policy thereof.....	7
5.6 Deviation from Policy Guidelines	7
6. Dealing Process.....	7
6.1 Monitoring, Reporting and other issues.....	7
7. Inter-scheme Transfers.....	8
7.1 Norms for effecting inter-scheme transfers.....	8
7.2 Control & Monitoring of Inter-scheme transfer.....	8
8. Investment Norms and Guidelines.....	9

8.1 Investment Objectives.....	9
8.1.1 Investment Universe & Model portfolio.....	9
8.2 Approach to equity investments.....	10
8.3 Diversification.....	10
8.4 Ceiling on Investment in a single scrip to equity investment.....	10
8.5 Ceiling on Global Holdings.....	11
8.6 Sectors.....	11
8.7 Benchmark Index.....	11
8.8 Sector Holdings.....	11
8.9 Purchase of equity shares in private placements.....	11
9. Monitoring and control Systems.....	12
9.1 Investment horizons.....	12
9.2 Time Horizon.....	12
9.3 Target Price	12
9.4 Review on reaching of Time/price horizon.....	12
9.5 Absolute Stop loss & Relative Stop loss monitoring.....	12
9.6 Policy on dealing errors.....	13
10. Investment & Trading in derivatives	13
10.1 Trades allowed for Mutual funds in Derivatives	13
10.1.1 Futures.....	13
10.1.2 Purchasing Options.....	14
10.1.3 Selling Options	14
10.1.4 Purchase of Index Futures/Options.....	14
10.2.1 Index Futures	14
10.2.2 Index Options-Call	14
10.2.3 Index Options-Put	15
10.2.4 Stock Futures	15
10.2.5 Stock options-Call	15
10.2.6 Stock options-Put	15
10.3. Disclosure.....	17
11. Broker Performance Review & Empanelment of new brokers.....	18
11.1 New Empanelment	18
11.2 Criteria for Empanelment	18
12. Annexure I-Investment Process.....	21
13. Annexure II-Investment Objectives of Schemes	26
14. Annexure III-AMFI Sector Classification	32
15. Annexure IV-List of Empanelled Brokers.....	34
16. Annexure V - Research Report Format.....	35

17. Annexure VI – Limits set up in the FOS..... 36

1. Background

The investments made by the AMC in the various scheme will primarily be guided by the various regulatory guidelines applicable to IFSC and other relevant jurisdictions, which are issued by the respective regulator from time to time. The Policy guidelines are issued are in respect of areas not specifically covered by regulatory guidelines or where the internal norms proposed are more stringent than the guidelines of Regulator.

2. Investment Philosophy

The investment policy guidelines aim at making the AMC with clear investment processes and structures. The investment objective of our various schemes is to provide investors with opportunities for capital appreciation through an actively/passively managed portfolio of investments in accordance with the respective Fund documents. Accordingly, it will be our endeavor to enhance and optimize investor returns, while keeping the risk factors at reasonable levels, within the limits specified under the relative Fund document of each scheme/account. These would be achieved by reducing concentration risk in individual scrip and by having a well-diversified portfolio. Emphasis is given to proper stock picking based on-in house research and hedging and rebalancing the portfolio if required through use of derivatives.

3. INVESTMENT TEAM

The Principle Officer will head the Investment segment, supported by fund Managers. The Fund Managers would also manage the research relating to equity with the help of a team of Research Analysts.

The Transactions relating to the investments will be carried out by Equity Dealers. The dealers will finally report to the Principle Officer for all their dealing functions. The processes and risks in the investment activities will be monitored by Principle Officer.

3.1 Roles of the functionaries in the Investment Team

3.1.1 Role of Principle Officer and Fund Manager

The Principle Officer will be overall in charge for the functioning of the Investment department and will be responsible for the conduct of the investment functions and administration of the Investment department within the laid guidelines. The role of the Fund Manager will be to effectively manage the following functions:

- Satisfactory performance of the Mutual Fund and the achievement of the parameters set by the Management for the performance of the schemes.
- Efficient functioning of the Equity Fund Management functions and also the Research team.
- Ensuring that the whole investment process is conducted according to laid down norms both regulatory and internal.

- Ensure adherence to risk management guidelines and risk appetite framework for schemes
- Ensure daily management of risk and necessary reporting relating to Investment risk of all scheme(s)
- Review and provide recommendations for changes to the Investment and other policies such as liquidity risk policy and governance risk policy and place it with Board for approval.
- Ensure investment policies are aligned to the investment objectives as documented in the Scheme Information Document
- Update/ modification in the Equity investment universe.
- Update in Internal investment limits
- Provide relevant information to CRO regarding the risk reports
- Review portfolio concentration and take necessary actions to make adjustment to the portfolio holding
- Periodically initiate review of the policies and procedures and submit the same for approval by the appropriate authorities.
- Assessment of the governance risk of the issuer
- Assessing and monitoring risks of investing in multiple markets
- Ensuring that schemes are managed in line with regulatory requirements
- Ensure adherence to the “Stewardship Code”
- Periodically report to the Board of Directors/Trustees on the Performance and other parameters and report exceptions/deviations from the prescribed guidelines, if any.
- Ensure periodic reviews and monitoring the following –
Activities performed by fund managers with respect to risks identification, risk management, reporting and corrective actions.
- Implementation of controls around dealing room such as –
 - A) non-usage of mobile phones
 - B) dedicated recorded lines
 - C) restricted internet access
 - D) handling of information

- Set specific investment goals for each scheme and assist in the development and launch of new schemes.
- Assessment of the manpower requirement of the team and make recommendations for additions/reduction in the team.
- Coordinate the functioning of the Investment Committee.
- Initiate appropriate Risk Management policies and procedures relating to the investment process in collaboration with the Risk Management Team.
- Submit the Regulatory Returns to the concerned Authority.

Equity Fund managers and Dealers will report to the Principle Officer.

Role of the FM on Trade execution and allocation:

The AMC use an automated Order Management System (Bloomberg AIM), wherein the orders for equity and equity related instruments (including ETFs and Mutual Funds) of each scheme shall be executed by the Dealer/Trader of the respective schemes.

The FM will place the order through E-mail/recorded phone lines/recorded chats to the Dealer with full details including Stock name, Quantity, Limit or market order, Scheme Name,

The order once entered into the system (by Dealer) will be checked for complying with various regulatory and SID limits which are configured into the system and only then the Dealer can act on them in terms of execution.

Role of the Principle Officer as the Risk officer for Equity Investments:

Daily management of risk and necessary reporting relating to Investment risk of all scheme(s) such as market Risk, liquidity Risk, credit risk etc. and other scheme specific risks (Compliance Risk, Fraud Risk, etc.) lies on the PA.

Adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, Risk Management, Risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any.

Defining specific responsibility of Fund Managers

Adherence to risk appetite framework - maintain risk level for schemes.

The PO shall escalate the corrective actions taken, if any, to the Investment Committee and the Risk Officer.

3.1.3 Role of Research Analysts:

The Research team will be headed by the Head - Research supported by research analysts. The research team will actively coordinate with the Fund Managers with respect to the companies in which they have made/proposed to make investments and undertake research study on such companies in the format as specified in Annexure V. They will also need to give new investment ideas to the Fund managers. They will also give follow –up reports periodically on such companies in which investments have been made. The research team will operate independently of the fund managers in terms of their assessment of the companies; while at the same time will closely coordinate with them to identify companies in which to invest.

3.1.4 Role of the CRO in Equity Investment:

The CRO and the Risk Management function will be in coordination with the CIO monitoring various schemes. Their specific functions among other things will include:

- Monitoring the investment processes and suggesting suitable changes in the processes and policies whenever required.

- Identification and monitoring of various risks in the portfolio of various Schemes.
- Establish processes to control, mitigate, transfer or optimize all kind of investment Risks.
- Monitoring and Review of various investment and Risk limits
- Development of Portfolio Risk control framework including liquidity and concentration risk
- Monitoring of active share and its sources in terms of Portfolio Benchmark Deviation
- Overall Portfolio Risk monitoring and reporting including calculating and monitoring various risk metrics
- Performance Attribution and contribution analysis
- Reporting of exceptions, review and updates on internal policies and guidelines
- Support to Investment and Product team in terms of providing relevant reports and information
- Assisting in the design of new products from the perspective of investment feasibility and investment risks.

Role of the CRO in Risk Management Framework applicable for Equity investments:

- Review specific responsibility of management, including Fund Managers.
- The CRO shall inform to board of AMCs, trustee and risk committees regarding any major findings or corrective actions required and also update on closure or the status of various recommendations.

3.1.5 Role of the Dealer:

The dealer works as the intermediary between the schemes of fund and the market. His job is to enable the schemes to take better decisions with regards to buying/selling of scrip and to execute the trades once the buying/selling decision has been taken. The dealer also has to handle the derivatives transactions and ensure that such transactions are within the permitted limits. He will also give suggestions to the Fund Managers for suitable strategies on utilizing derivatives for effective management of the schemes. The dealer monitors the market movements so that the mandates of the schemes are executed in line with the perception of the Fund managers, at the optimum levels, during the trading session.

For the dealer to be able to perform his functions effectively he should keep in touch with the sources of market information including brokers, dealers of other organizations, Bloomberg's screens etc. He should keep himself informed by reading economic dailies and magazines linked to the markets.

The Dealer should also carry out an advisory role to the Investment Committee on market related aspects.

Role of the Dealer in Trade Execution and Allocation:

The AMC use an automated Order Management System (Bloomberg AIM), wherein the orders for equity and equity related instruments of each scheme shall be placed by the fund manager(s) of the respective schemes.

The Dealer will receive orders placed by FMs scheme wise with respect to the Equity Asset class. These orders will be placed with Brokers for execution in the most efficient manner.

The Dealers will also have the access rights for the schemes as far as order placement is concerned. Any FM can send the order through official mail, recorded chat or recorded phone line to the Dealer and he/she will enter the order in the system.

Best Execution Policy:

Best Execution is the requirement to take all sufficient steps to systematically obtain the best possible result for the portfolio when either directly executing transactions or transmitting Orders to intermediaries for execution.

Best Execution Factors:

To achieve the best result the Dealer will take into account the following execution factors:

Price - this is the price a Financial Instrument is executed at.

Costs - this includes implicit costs such as the possible market impact; explicit external costs e.g. brokerages and other charges;

Speed - time it takes to execute a transaction including settlement

Size - this is the size of the transaction executed for, accounting for how this affects the price of execution

Nature of the transaction or any other consideration relevant to the execution of the transaction.

Application of Best Execution Factors:

In the absence of any specific instruction, the dealer should give the factors of price and costs ("Total Consideration") a higher relative importance to the other factors which additionally will be considered as appropriate. There may be circumstances where the primary execution factors vary and price is no longer the dominant execution factor; for example, for transactions in illiquid securities, likelihood of execution and market impact become more important.

Investment and dealing function undertakes periodic reviews to determine that any Brokers used are able to provide the appropriate level of expertise and the necessary experience when executing in the respective market. Furthermore, on a periodic basis it's also ensured that, while taking into account all

relevant execution factors, Broker executions are monitored so that they come to the conclusion that execution is delivered on a best effort basis in the interest of the investors.

Trade Allocation Policy:

Each FM sends order to the dealer through recorded medium and Dealer executes the trade by placing deals in respective schemes to the Brokers. As execution for each scheme is done separately and hence depending upon the time of order placement, executed prices can differ for same stock for different schemes. As a best practice, if an FM puts the limit order and another FM puts the market order for the same stock, different Brokers should be used for these transactions though not necessary and same Broker may also be used. There could be scenarios in which the ordered quantities could not be fully executed in one of the schemes while in another scheme it may get fully executed even in cases where both the orders are market orders. It could be due to the fact that these orders are placed separately (may or may not be at different point of time). In the event of the Same Fund Manager placing orders for two separate schemes at the same time and with the same order type, as a best practice, same Broker should be used though it should be sent as two separate orders and executed price must be similar though it may not be the exact same. Brokers must be instructed that transaction takes place in manner whereby the trade keeps on getting executed on a pro rata basis such that the ratio of “Executed Quantity to the Ordered Quantity” for both the schemes are similar though it may not be the exactly same. In the event of Block Trades, Quantities from different schemes are combined together and gets executed and same price is used across schemes. In case of unexecuted quantities, allocation is based on the pro rata basis. In the Case of TREPS investment in the schemes, same price is to be taken across schemes. (If there are exceptions, it needs to be informed to the IC with rationales)

3.1.6 Relief / Substitution arrangement:

In the absence of the PO, Fund Managers in the Equity will officiate in his place and take care of the day to day operations relating to the PO. In the normal course any major policy decisions relating to investments will be framed and implemented only by the PO unless a situation warrants such decision, in which case the person officiating in the place of the

will implement it in consultation with the Chief Executive Officer. The Operational functions of the PO will, in his absence, would be carried out by the Fund Managers in the equity department.

Role of the Back-Office Team:

All the final executed Trades in the Bloomberg AIM will be received by the Back- office, they will reconcile the executed trades with the file as received from the Brokers for the Asset class “Equity” and “Equity Derivatives”. If unmatched, the reasons will be ascertained and necessary changes will be made. Once

matched, the trade file in requisite format will be downloaded and send to the outsourced Fund Accountant and custodians for final trade settlement and NAV calculation.

Role of the Compliance:

The Compliance Team will configure required limits in the OMS "Bloomberg AIM". Once the limits are configured or any limits are modified (not the minor cosmetic changes), The logs will be stored in the Bloomberg Vault.

Scenarios within the regulatory limits, wherein, prior approval of Compliance or Risk Officer would be required through

OMS before the order is received by the dealer:

- 1. Paid up Capital exceeding 9.9% of a company across all schemes**
- 2. Liquidity requirement in Liquid and Debt Funds**

SOP for Equity Investment:

The AMC shall periodically prepare the Investment universe with list of stocks beyond which the investment will not be made in any Equity instrument in any active or Hybrid Fund (other than the Arbitrage portion). If an FM wants to include any stock not forming part of the IU, He/ She will have to share the rationales/ Research Report for IU inclusion of that stock. The list is updated in the Front office system to stop any Non-IU stock trade.

All the NSE 500/BSE500 stocks are automatic selection for IU inclusion and no separate approval is required for their fresh inclusion.

The FM places the Buy/Sell order, he/she communicates the order through mail/Recorded Line/Recorded MS Teams Chats to the Dealer and then the the Dealer enters the same order in the OMS. The system checks various regulatory /SID applicable limits and once all limits are successfully checked, The Dealer selects the Broker and forward the order via the integrated electronic EMSX platform in Bloomberg. The Dealer can view the execution live on his/her screen and also

Once the trade gets fully executed and confirmed by the Broker, it reaches the Backoffice The Back office matches the Trades as confirmed in the system with the Trades as received through Brokers. Once the trades are matched, the trade reports are shared with the outsourced Fund accountant and Custody for NAV calculation and final settlement.

SOP for Primary market Equity Trade:

The FM provides the detailed Research report for the IU inclusion. The FM sends the detailed mail to the Dealer stating the amount for the IPO subscription. The Dealer sends the details to the Back-Office team for IPO application. Post allocation, the trade is entered in the Front office system.

Best Practices for Investments in Public / Private Issuances for Equities:

1. A research report should be prepared on the issuing company before applying for an IPO i.e. a first-time issuer.
 - i. Format of the report would be as per the AMC's template.
 - ii. The report should not be more than 6 months old.
2. The AMC's policy should define the designated authority for approving addition of an IPO company to the investment universe.
 - Rationale should be recorded by the Fund manager as per extant regulations.
3. There should be a specific disclosure in the IPO research report in case the issuing company is an associate/group company. Every AMC should have a policy relating to participation in IPO of Sponsors and its subsidiaries.

Note: there are extant regulations relating to sponsor.

No fund [scheme] shall make any investment in, — (a) any unlisted security of an associate or group company of the sponsor; or (b) any security issued by way of private placement by an associate or group company of the sponsor; or (c) the listed securities of group companies of the sponsor which is in excess of 25 per cent of the net assets.

4. There should be documentation of bids at scheme level during the anchor book building process of the IPO. The allocation to schemes should be done proportionately (in case the allocation is less than the bid) to ensure equitable treatment of schemes.
 - Note as regards the main IPO book - bidding is done at scheme level and allotment would be done by the issuing company as per extent regulations.
5. AMCs should have a defined policy in place for prudential exposure.
 - i. % Maximum limit of scheme AUM per IPO company. This limit applies only to exposure in the IPO company (anchor and main book allocation) and is not relevant after the IPO closure.
 - ii. % Maximum Limit of shareholding in the IPO company at fund house level. This limit applies only to bids in the IPO company and is not relevant after the IPO closure
 - iii. The limit cannot exceed applicable regulatory limits.
6. These guidelines will also apply to investments made in overseas/international IPOs.

7. All IPO investments must be compliant with applicable SEBI ICDR & MF regulations

4. Investment Committee

4.1 Constitution

The Investment Committee will comprise of the following members:

Chief Executive Officer (CEO)

Chief Business Officer

Chief Investment Officer (CIO)

Equity Fund Manager(s)

Head – Risk management

Head - Compliance

Compliance Officer

Dealers & Research Analysts will be invitees for the meetings to share their views on markets and on sectors and specific companies and the Company Secretary of the AMC will act as Secretary to the committee

4.2 Quorum:

The quorum for the Investment Committee will consist of any three members of the Committee, provided that any two members from Chief Executive Officer, CIO, Head – Risk & Head - Compliance are present.

4.3 Functions:

The Investment Committee will have a broad supervisory role in respect of all investment activity undertaken. Their roles will inter-alia:

- To decide investment norms, and frame inter-scheme policy
- To approve the list of companies for investment in equity shares.
- Advice on asset allocation, within the parameters of the scheme's offer document,
- To approve the list of counter party and fix their exposure limit for deployment of money at call.
- Screening and Periodical monitoring of the performance of the schemes,
- Review of Non-Performing Assets of the schemes.
- Review of Valuation policies followed by the Mutual Fund.
- Any other duties that the Board or Directors of AMC deems appropriate for delegation to the committee.
- to review and make recommendations to the Board of AMC concerning investment policy;
- to review and make recommendations to the Board of AMC, for improvement regarding investment operations and procedures;

- to provide to the Board of AMC following at the time of every meeting of Board of Directors of AMC Scheme-wise investment report consisting of the following:
- scheme risk and performance, the parameters being laid down separately by the Board of Directors of AMC ;
- Asset allocation of the scheme portfolio (current and historical);
- Sector weight age of the scheme portfolio (current and historical);
- Review of the major events that influence the market during the period for which the report is produced.
- Any other item that the Committee may decide from time to time.

4.4 Investment Committee Meetings:

The Investment Committee will meet on a periodic basis. The highlights of the discussions in the meeting of the Investment Committee will be documented in the form of minutes and circulated to the Board of AMC and the Board of Trustees.

5. Investment Process-Equity: Annexure I

Investment Universe

Investment Universe containing list of stocks which can be considered for investment is provided periodically by the CIO in consultation with the Head of Research. Post approval from the Investment committee, this list is entered in the FOS as a watchlist and rule to ensure no Non-IU stock can be traded. This list is provided on a periodic basis. If an FM wants to make an investment in the Non-IU scrip, He/she will have to provide a detailed rationale and Research report to the Investment committee. At least two members of the committee have to approve the proposal and only after that the stock shall be entered in the investment Universe.

5.1. Recommendation for purchase not supported by a “BUY” Report

Any scrip is purchased only after it has been fully researched by the in-house research team and the Fund Manager with a “BUY” recommendation. A Detailed Research Report is prepared and provided to the Risk and Compliance Team and only after that the scrip can be purchased.

5.2. Investment process:

The Fund Managers place the requisition along with the rationale and only those scrips are available to them for buying which is part of the IU for which the detailed Research Report has been prepared. The access to each scheme is provided only to the respective FM and the CIO

In certain circumstances where the FOS is not operational or when a particular transaction cannot be inputted into the FOS, the Fund manager has to prepare a manual requisition, giving the entire particular through mail or recorded line and given to the dealers for conclusion of the deals. These instances shall be documented and presented to the Board of Trustees and also form a part of the CTR.

5.3. Validity of Proposals:

Proposals for purchase/ sale of shares will remain valid till the End of day (EOD) for domestic trades and for a time period of 24 hours for International trades, from the date/time in which it is inputted into the FOS.

5.4. Definition of Illiquid Stock and Policy thereof:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs.5 lacs and the total volume is less than 50,000 shares. Purchase of such illiquid stocks would require special approval from the PO.

5.5. Deviation from Policy guidelines:

In all cases where there is deviation from the investment policy guidelines, the specific transaction will require to be specifically approved by the Head – Risk or Head- Compliance or the PO.

6. Dealing Process:

The Dealing process consists of the following steps:

- Receiving the orders for the various schemes.
- Deal executions.
- Passing information regarding the deals to the back office.

All orders should be only placed with empaneled brokers. The dealer should avoid placing too much of business with any one broker.

The dealer shall have discretion of effecting the buy or sell transaction at a price differential of 3% in the prices mentioned in the requisition (For the limit order Trade), unless a specific price band (which cannot exceed a price differential of more than 3%) is given by the Fund Manager in the requisition.

6.1 Monitoring, Reporting and other Issues:

Voice Recorder: Telephone Conversations held in the dealing room shall be recorded on voice recording equipment. The recorded cassettes/voice clips shall be retained for a period of eight years thereafter they may be erased and re-used. The functioning of the voice recording equipment will be randomly checked each month by the Head – Risk & Compliance.

The Back-Office functions shall be separate from dealing room. The back office shall process and monitor the transactions conducted in the FOS by the dealers

7. Investment Norms and Guidelines

8.1 Investment Objective & Strategy:

Each scheme has to be managed in terms of the Investment Objectives specified in the Offer document of the scheme. The investment Objectives of the existing schemes which describes the investment strategy and risk philosophy of each scheme as mentioned in the offer document.

All investment will be regulated within the guidelines stipulated by the regulators from time to time. These have been specified mainly with a view to safeguard the interest of the investors by limiting the risk factors.

8.1.1 Investment Universe and Model Portfolio

- As per Mirae Asset Group's Investment processes and guidelines, a clearly documented Investment Universe is mandatory requirement. In addition, a model portfolio is also required to be prepared.

Guidelines for Formulation of Model Portfolio

- India research analysts should craft theoretical model portfolio of companies under coverage with one Benchmark (BSE 200, Nifty large and Mid 250 or NSE200).
- Periodically review (at least once in 1 months) to add/delete names as well as changing weights of the securities.
- The portfolio to be reviewed with regard to holdings, additions/deletions, performance and mapped to Actual Portfolio.
- Risk team to independently monitor performances and report on the Model Portfolio.

8.1.2 Risk Monitoring in small cap stocks holding

In order to limit the portfolio risk due to holding in small cap securities from the universe at portfolio level, the holding of stocks which do not meet the following criteria should not exceed 5% of scheme AUM:

- Minimum market cap of Rs. 500 crores;

The above limit of 5% can be increased with the approval of the Board of the AMC and Trustee Company.

8.2 Approach to equity Investment

In respect of equity Investments, we have been following a top-down approach in respect of the selection of sectors and areas to make investments, while individual stock selection is based on a bottom-up approach of identifying stocks for investments based on research and study of the company. The broad sectors and the universe of stocks which are covered by the research department will be identified through a process of qualitative and quantitative assessment. The identification of individual stocks for investment in any scheme will be made by respective Fund Managers.

8.3 Diversification:

One of the ways in which we can control concentration risk is through diversification. The portfolio in any scheme must be well diversified. Hence in any Equity or Hybrid Fund, the minimum number of Equity stocks in the portfolio should be at least 20. This will not apply in the case of sector funds since the number

of stocks in any given sector or industry itself is limited as also for specific thematic fund, where investments are to be made only in a few sectors which are considered as having high growth potential.

8.4 Ceiling on investment in single scrip:

As per SEBI guidelines, the maximum permissible investment in any single company should not exceed 10% of the net assets of the scheme at the time of investment. We propose to keep the norms in line with SEBI guidelines for all investments. The limit of 10% will not however apply to index funds or sector specific schemes whereby maximum limit would be greater of the 10% or the Benchmark weight.

While the present SEBI Regulations do not permit investment of more than 10% of the net assets in any stocks, the regulations do not bar a fund from holding more than 10% if the stock has appreciated after purchase. While this flexibility allows a scheme to ride the appreciation in the case of a strongly outperforming stock, it also exposes the scheme to greater volatility with the increasing concentration of any single stock in the portfolio. With a view to control the risk of concentration, we propose to restrict the maximum holding in any scrip to 12.5% of the net assets of the scheme if the corresponding benchmark weight is less than 12.5%, otherwise the maximum holding can be up to the corresponding Benchmark (Not applicable for Sector/thematic or Focused Funds).

8.5 Ceiling on Company shareholding:

The aggregate equity shareholdings over all the schemes in any company are restricted to a maximum of 10.0% of the paid-up capital of the company as is permitted by the SEBI regulations. The internal limit of 9.5% is in place and any additional purchase more than 9.5% (up to 10%) would require approval from the Risk Management Team.

8.6 Sectors:

In order to have uniformity in practice, SEBI had vide their circular no.MFD/CIR/14/18337/2002 dated the 19th September 2002 instructed all mutual funds to adopt a uniform industry classification for the various companies as would be finalized by the Association of Mutual Funds in India (AMFI). In 2005, AMFI have come out with a classification of all companies in terms of their basic industry, Industry, Sectors and Macro Economic sector respectively. Based on their classification all Mutual Funds have uniformly adopted the specific industry classification for the purpose of all reporting portfolios. Currently AMFI have grouped the companies into 22 different Sector categories as given in Annexure III. We have also adopted the AMFI classification for sectors for the purpose of monitoring sector weights and for reporting.

8.7 Benchmark Index:

As per SEBI regulations each of our schemes are benchmarked against a specific Index against which the performance of the scheme is measured.

8.8 Sector Holdings:

For the diversified equity schemes, holding of stocks relating to any particular sector (AMFI specified sectors) will be restricted to the sector weight in the Benchmark index plus 10%. Such restrictions will not

apply to sector specific schemes or thematic schemes where an investment is planned only into a few sectors in terms of the offer document of the scheme. In case schemes have holdings, which are in excess of the limits due to passive breach, they would have a time frame of three months to bring down the exposure to the above limits, in order to avoid any instance of distress sales.

In the normal course all the schemes will be required to strictly comply with the sectoral holding norms as prescribed above. However, Fund Managers may exceed the norms in certain circumstances where they are very positive on the prospects of a particular sector, where the holding norms are exceeded. Even in such cases, it'd require approval from the IC.

8.9 Purchase of equity shares in private placement:

Any purchase of equity shares through private placements, including those of listed companies can be made only with the prior approval of the Board of Directors of AMC & Trustees. Investment is only allowed in listed and proposed to be listed equity securities.

9. Monitoring and Control Systems

9.3 Target Price:

The Investment Analyst will also specify the target price for at the time of purchase

9.4 Review on reaching of price horizon:

The Fund manager will arrange to review each investment on reaching the price target and if considered worthwhile, recommend for holding the scrip for a further period of time. The target price for the investment will be reset at the time of the review.

The investment team shall revisit the scrips on a frequent basis (post annual, Quarterly results, on occurrence of a company specific event) and shall update their research work. All the scrips should be reviewed at least once a year.

9.5 Absolute Stop loss & Relative Stop loss monitoring:

Where the fall in prices of scrip is in tandem with the market indices, compulsory booking of losses can adversely impact the fund. Accordingly it is recommended that, where the market indices have also been falling and where the losses in a particular scrip is between 30% and 50% of the average purchase price, the Fund manager shall review the investment based on a fresh research study on the company and submit his recommendations to the Investment Committee. The Investment Committee will either authorize the holding of the investment or the booking of losses by sale after discussions.

The Risk Team shall, in periodic intervals, report to the Investment committee the Stop Loss Status Report on its securities.

There shall be a uniform first Stop Loss Trigger for all the Schemes to 30% in unrealized Loss.

The following matrix shall be used for treatment of the stop loss.

Scenario	Absolute Stop Loss	Action Required
Scenario 1	>30%	Justification Note
Scenario 5	>50%	Portfolio Weight should be trimmed to get it below the Benchmark Weight. For Non Benchmark Stock, Weight has to be trimmed to get it below 1.0%. No new investment shall be made. For Thematic or Sector Funds, it can be more than 1.0% but no new investment should be made. Detailed Investment Review shall still be done. If the weights are not trimmed below 1% or Benchmark weight, proper justification has to be provided in the IC and then IC will decide.

10. Investments & Trading in Derivatives

10.1 Trades allowed for Mutual funds in Derivatives

SEBI has come out with various instructions/Clarifications (Circular reference SEBI/IMD/CIR No.4/2627/2004 of the 6th February 2004) on mutual funds to use derivatives for the portfolio rebalancing and for hedging.

10.1.1 Futures

To Purchase a future in a stock would be equivalent to buying the stock itself and the process would be identical. The SEBI guideline requires that the buying in Futures to be justified on the ground of savings in cost (after the cost of carry)

- There is a very strong case for use of futures as the costs of brokerage as well as custodian costs are significantly lower than for cash market purchases.
- Trading can be more effective in futures as we do not have to wait for delivery before affecting a sale, which takes about 1 working day in cash market
- Since we do not pay any money for this purchase (except for the margins), the money saved can be invested in money market instruments to earn excess returns for the scheme.

- At the same time, we do not receive any dividends on the future positions.

Thus, if the net savings exceed the premium at which the futures are trading we can clearly buy the futures instead of buying in the cash market.

10.1.2 Purchasing Options: We can buy call options or buy put options.

- **Call option:** Advantage of buying call options is that the downside is limited to the option premium paid & hence the maximum loss incurred is the option premium paid. The premium to be paid depends on the strike price so we can take positions depending on the likely price movement of the underlying stock. Purchase of options cost money and a cost benefit analysis needs to be given before purchase of options is undertaken.
- **Put options:** They can be purchased as protection for the portfolio. In case we feel that any individual stock is likely to have a significant downside depending on certain events then we can protect the downside by buying the put options for these specific stocks. Put options can be purchased only if we have a position in the underlying stock/future.

10.1.3 Selling Options: Though covered call is allowed, still internally the policy remains that there'd be no selling of options allowed (Both Call and Put)

10.1.4 Purchase of Index futures/options:

In case we feel that market is going to go up significantly, we can invest in the index option/futures till such time we identify specific stocks to purchase so that idle money can earn at least market returns. Since we have a 10% cap on any individual stock and if we take a long position in index futures then there is a possibility of it being breached as the index contains these stocks as well. Thus, the individual stock limit of 10 % would be applicable to the portion of portfolio remaining after the investment in index futures.

Given below is allowed derivative positions along with a brief description and the limit proposed by us for approval.

10.2.1 Index Futures:

- Buy: Index futures are bought against cash to protect against rising market, if we expect the market to rise and have cash we can buy Index futures so as to take advantage of rising markets. Limit::To the extent of cash/equivalents in the portfolio. Maximum limit is 25% of portfolio.
- Sell: Index futures are sold for hedging portfolio against expected market downturn. If we expect the market to fall we can hedge the portfolio by selling the index short. Limit: Up to 50% of equity portion of the fund. The limit is higher as we are considering hedging as good tool for risk containment for the portfolio.

10.2.2 Index Options-Call

- Buy: Call options of index are bought against cash (existing/expected) to protect against rising market. Limit: To the extent of cash/equivalents in the portfolio. Maximum limit of 15% of portfolio.

10.2.3 Index Options-Put

- Buy: Put options on index are bought to hedge existing portfolio. Limit: Up to 50% of equity portion of the fund.

10.2.4 Stock Futures

- Buy: Stock futures are bought against cash to protect against rising share prices. Limit: To the extent of cash/equivalents in the Portfolio. Maximum Limit is 25% of portfolio; per scrip limit is 10% (Less any exposure to the underlying stock)
- Sell: Sell against existing stock- Hedging against downside on existing stock in the face of expected volatility in the stock price. Limit: To the extent of the particular scrip holding in the portfolio with a per scrip limit of 10%.

10.2.5 Stock Options- Call

- Buy: Stock call options are bought against cash to protect against rising share prices. Limit: To the extent of cash/ equivalents in the portfolio. Maximum limit is 15% of portfolio, per scrip limit is 5%.

10.2.6 Stock Option- Put

- a) Buy: Stock options are purchased against existing stock. Hedging against downside on existing stock in the face of expected volatility in the stock price. Limit: the extent of the particular scrip holding in the portfolio with a per scrip limit of 10%.

The following points are to be noted:

1. The overall limit of all the derivatives position would be kept below 35% in case of portfolio rebalancing (long positions) and 50% in case of hedging positions.
2. The above limits are using the notional value of the derivatives.
3. For monitoring the stock exposure limit gross position is to be taken. The gross position includes the exposure to the stock in both cash as well as derivatives position.
4. For calculating overall derivatives exposure, the total of all positions on individual stocks plus position on indices shall be considered.
5. There is a complication in case of long index positions. One could regard this as an equivalent exposure in each constituent of the index. This may be severely limiting where the fund already has a long position in a stock which has a long weight in the index. To avoid this complication a fund is

permitted to do the same in a sector index. Then the stock wise limits would be applied to the remaining part of the portfolio.

6. In instances where the fund has long/potential long and short/potential short positions in derivatives with the same underlying, with the net of the gross long and gross short positions falling within limits, the gross position on both the long and short side should still not exceed 150% of the permissible SEBI exposure limit position on either side.
7. The amount of short for hedging using index futures/options that can be done depends on the beta of the portfolio. Most of our funds have a beta close to 1.0 and we would be using the same for hedging purpose. We will review the same if our beta study shows any changes in the beta.
8. Sectoral indices can be used to hedge only to the extent of the exposure to that particular sector.
9. Sector funds would be hedged using their respective sector index if available for hedging.
10. In addition to the above limits, the fund shall also do a “worst case scenario” exposure on the total positions on any given underlying. The worst-case scenario exposure to the underlying shall not exceed the internal exposure norms.
11. Positions involving multiple derivatives positions on the same underlying shall be allowed. The exposure limits for the same shall be fixed as above.
12. All derivatives positions shall be backed by cash or stock as the case may be i.e. all current or potential long positions shall be backed by cash and equivalents at the time of exposure and all current or potential short positions will be fully backed by stock (stocks portfolio for index derivatives).
13. Definition of the word “Cash” shall include Cash, TREPS, Repos, T-Bills, G-Sec, deposits with scheduled commercial banks (public sector, private sector and foreign) and net current assets.

10.3 Disclosure

In their guidelines, Regulators have specified the following norms for disclosure and accounting in respect of derivative transactions:

1. Each mutual fund shall disclose the maximum net derivatives exposure in terms of percentage of portfolio Value, the limits of derivatives exposure per scrip / instrument and derivatives positions and limits in in Offer document / addendum of the respective schemes to the investors. The data of actual exposures shall be disclosed in the half yearly portfolio statements.
2. When calculating the industry exposure for disclosure on monthly basis, the total exposure per scrip including Derivatives exposure shall be considered.
3. Gap reporting / Calendar spread analysis of all derivative positions shall be reported internally to the Investment Committee on a weekly basis.
4. All the details shall also be reported to the Board of Trustees in the immediate next meeting after such positions are initiated.
5. All the details shall also be reported to the Board of Trustees in the immediate next meeting after such positions are initiated. The following would also be covered in the report to the trustees:
 - i. Transactions in derivatives, both in volume and value terms.
 - ii. Market value of cash or cash equivalents / securities held to cover the exposure.
 - iii. Any breach of the exposure limit laid down in the scheme offer document.
- i. Shortfall, if any, in the assets covering investment in derivative products and the manner of bridging it.
- ii. The Trustees shall offer their comments on the above aspects in the report filed with SEBI under sub regulation (23) (a) of regulation 18 of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

The summary of the common derivative positions and limits is given below in the Table 1. Most of the limits that are being proposed are significantly lower than the maximum limit allowed by SEBI. As we have been doing very few transactions in derivatives, we shall initially operate with limits lower than the ceilings stipulated by SEBI.

Table 1. Common Derivative Positions and Limits

SR.NO	DERIVATIVE	DESCRIPTION	LIMIT
1	Index Futures Buy	Buy futures against cash to protect against rising market.	To the extent of cash equivalents in the portfolio. Maximum Limit: 25% of portfolio.
2	Index Futures Sell	Hedging of portfolio against expected market downturn.	Up to 50% of equity portion of the fund.

3	Index Options Call Buy	Buy Index calls against cash (existing / expected) to protect against rising market	To the extent of cash equivalents in the portfolio. Maximum Limit: 15% of portfolio.
5	Index Options Put Buy	Buy index puts to hedge existing portfolio.	Up to 50% of equity portion of the fund.
7	Stock Futures Buy	Buy against cash to protect against rising share prices	To the extent of cash equivalents in portfolio. Maximum limit: 25% of portfolio; per scrip limit 10%.
8	Stock Futures Sell	Sell against existing stock – Hedging against downside on existing stock in the face of expected volatility in the stock price.	To the extent of the particular scrip holding in the portfolio; per scrip limit 10%
9	Stock Options Call Buy	Buy against cash to protect against rising share prices.	To the extent of cash equivalents in the portfolio. Maximum limit: 15% of portfolio; per scrip limit 5%
11	Stock Options Put Buy	Purchase against existing stock. Hedging against downside on existing stock in the face of expected volatility in the stock price.	To the extent of the particular scrip holding in the portfolio; per scrip limit 10%.

11 Broker Performance Review and Empanelment of new brokers

11.1. New Empanelment:

11.1. The purchase and sale of equity shares in the secondary market is affected through approved empaneled brokers. Over the last few years, there has been a tendency in the industry to concentrate business with a few brokers who are able to give premium support in terms of research, market news and dealing efficiency. A list of empaneled brokers for Cash & Derivatives Segment has been appended below in Annexure IV.

11.2. Criteria for empanelment:

11.2.1 We propose to adopt a stringent procedure for empanelment as detailed below:

11.2.2 The brokers applying for empanelment have to submit application to us.

Empanelment of broker should be based on following norms:

Criteria	Documents required
Registration	Copy of SEBI Registration Certificate & copy of registration with the Stock Exchange.
Net worth	Net worth Certificate from the auditor based on last half yearly accounts (March/September) and balance sheet for last 3 years.
Research capabilities	Organisation structure, write-up on the research department.
Infrastructure	Write up on the Organisation, Number of employees, designation, qualifications. Details of the office space.
Corporate entity	Certificate of incorporation.
Adherence to laws and regulations	<p>Certificate from the broking company that the company has not been penalised, nor involved in any scam or suspended during the immediate preceding 3 years.</p> <p>If penalty has been levied, it should not have been levied in lieu of a scam / fraud /litigation and the amount should not exceed Rs.1 lac. In case the amount exceeds 1 lac but not levied on account of involvement in a scam etc, then specific approval from Head – Equity / Fixed Income will have to be taken.</p>

Norms for empanelment for Overseas Brokers:

Sr. No.	Particulars
1.	Profile of the Company.
2.	Copy of the registration certificate from the respective Stock Exchange / Regulator of the country.
3.	Copy of the latest audited balance sheet / financial statements. (Latest available).
4.	Copy of the Certificate of incorporation.

3. Procedure to be followed for empanelling brokers:

a. Recommendation

CIO/CIO-Fixed Income would put forward his initial recommendation for appointment of any broker by submitting the Broker Empanelment Request to the Investment Committee.

b. Application by broker

The broker should submit duly filled application form. Along-with the application form broker should forward all the relevant documents such as Registration certificate, Net worth certificate, List of institutional clients, write-up on the organization etc. as mentioned in the approved norms for empanelment.

c. Process of application form

On receipt of the above-prescribed form along with the documents requested for, the Risk Management Team should scrutinize the documents and process the application. If there are no adverse observation, the Broker will be empaneled and details will be shared with operations and relevant Investment team members team for further course of action.

An updated list of empanelled brokers will be circulated to the Investment and Operations Department by the Risk Management Team.

e. Review of empanelled brokers:

All the empanelled brokers would be reviewed regularly to ensure that they meet the criteria of empanelment. Brokers would need to send net worth certificates every year based on audited accounts, which would be reviewed by the Risk Management Team.

f. Deactivation of Broker

All the brokers not complying with the empanelment norms would be de-activated or put on hold depending upon case to case basis. Deactivation/Putting on hold would be made on other situations as well such as, adverse market report about the broker, involvement of broker in the malpractices, show-cause notice issued by the regulator, lack of service to the Investment department in terms of research or other operating capabilities etc.

g. Exceptions for empanelment of Broker for ETF

There can be scenarios such that a Broker can be empaneled only for execution of trades of ETF schemes provided the said broker will also act as a market maker of ETFs. For such Brokers, the criteria on infrastructure, Research Capabilities etc. can be less stringent. The Proposal for such empanelment would come from the ETF team.

12. Borrowing arrangements:

As per the regulations of SEBI: The mutual fund shall not borrow except to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unitholders: Provided that the mutual 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.

- a) Schemes can borrow on the date of redemption provided it's done to meet temporary liquidity needs and the borrowing shall not be for more than 20 per cent of the net asset of the scheme on that day and the duration of such a borrowing shall not exceed a period of six months.
- b) Schemes can still borrow even on days after the date of redemption provided there is still a temporary liquidity need due the redemption on previous days and the borrowing shall not be for more than 20 per cent of the net asset of the scheme on that day and the duration of such a borrowing shall not exceed a period of six months. In addition, it'd be ensured that there is no T+0 buy trades for the scheme on that day.

13. Error Trade Policy:

Trade Errors are quite different from other types of errors like mistake in calculating performance figures or Net Asset.

Indicative lists of trading errors are:

A buy becomes a sell

Size error: 1,000 shares becomes 10,000 shares

A limit order is executed at market price without appropriate authorizations

An order to buy a position is placed but the Fund account does not have sufficient funds to make the payment for the purchase

A buy or a sell order is executed for the wrong fund

A trade is executed without authorization

What is Not a Trade Error?

An incorrect trade that is caught before settlement and reversed though such a transaction may have to be reported if required to the investors, custodian and regulator;

A trade that is properly executed but documented incorrectly like allocated to a wrong fund but later got revised.

Errors of brokers, custodians and other service provider of the investment scheme (The losses still have to recovered from the service providers as per Service Level Agreement (SLA) but do not constitute trading errors;

Guiding Principles:

The employee who discovers the error should report the 'error' to the CEO and the Compliance Officer.

The endeavor should be to inform the Compliance Officer immediately on discovery, even in a case where there is a doubt as to whether an incidence constitutes trading error.

The Compliance Officer should work quickly to ascertain the pertinent facts and determine prima facie whether the reported incidence constitutes a trading error.

The person who caused the error should not be a part of the resolution process.

The Compliance Officer should determine whether the error is covered under the Directors & Officers Liability Insurance policy (for errors & omissions) or under the Investment Management Insurance policy and at what stage the relevant insurance company should be intimated.

The insurance company should as far as possible be involved in the resolution.

The Compliance Officer shall immediately intimate the Senior Management.

Loss Calculation:

As a general principle investors of the fund should not bear the loss as a result of the trading error.

Losses can include:

The amount incurred on reversing the trade including incidental charges like brokerage, auction charges, taxes etc.

The decline in the value of investments and losses incurred thereon

Annexure- I

Investment Process

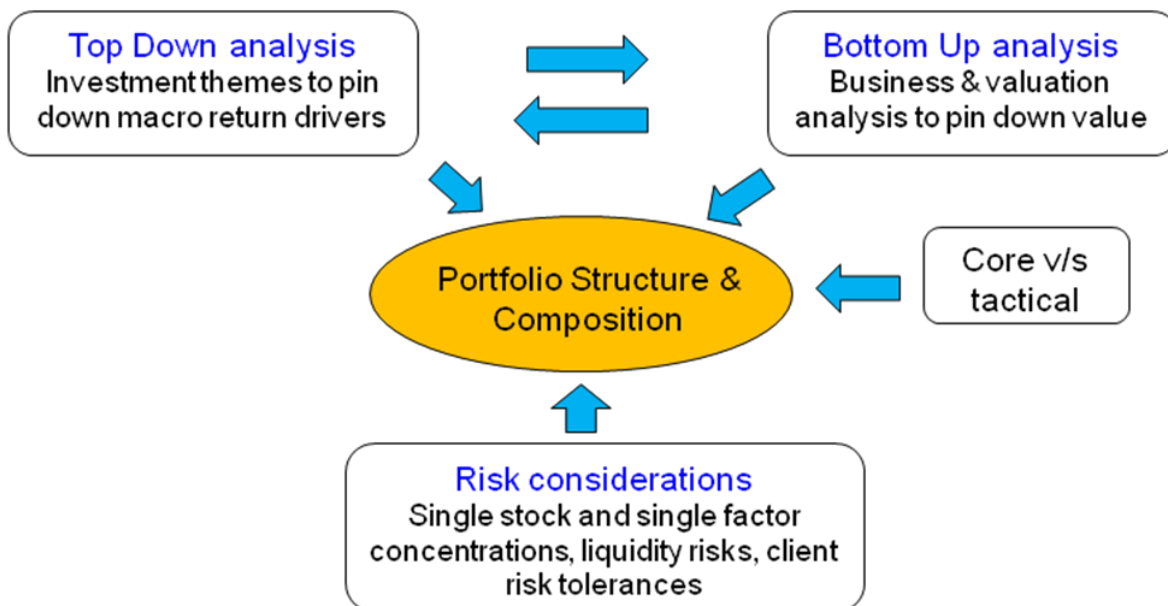
- A sophisticated process which combines different approaches
- Top-down analysis to maximize on investment themes targeting macro return drivers
- Bottom-up strategy for stock selection

- Quantitative modeling of risk/ return expectations to avoid any individual bias

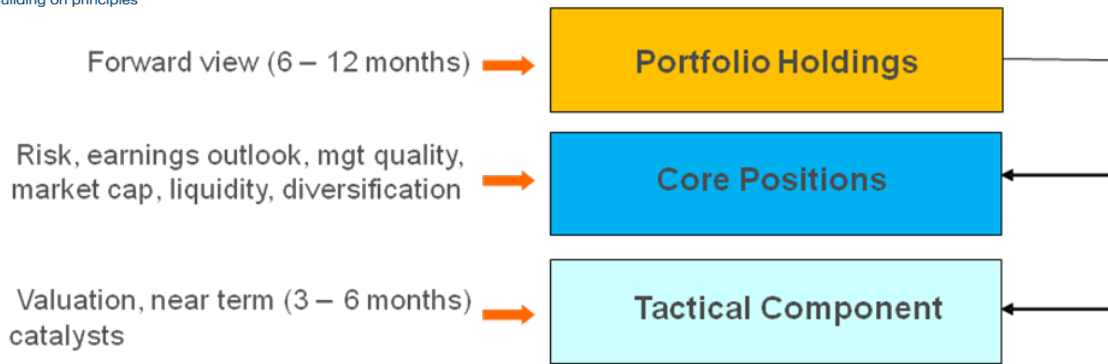
Differentiating through the Team approach

- Team discussions on Portfolio strategy and stock ideas
- Enhances communication and idea sharing, results in better investment decisions.
- Vigorous company visits and research trips by the Research team.

Portfolio Construction Process

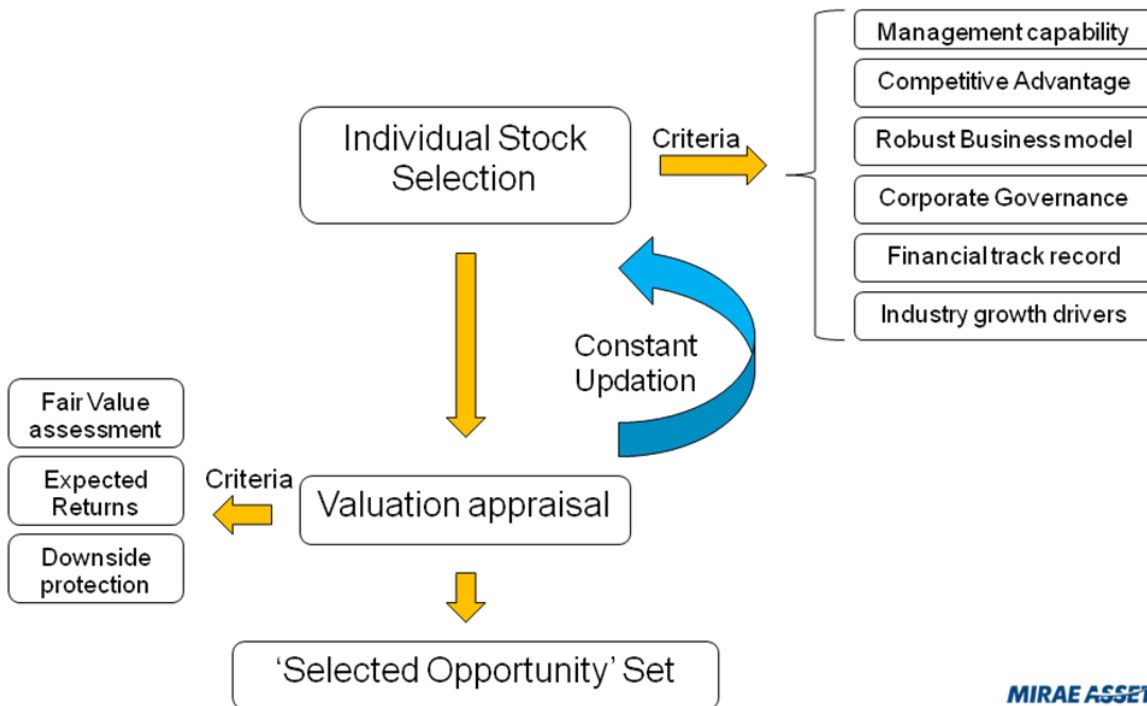


Portfolio Construction Framework

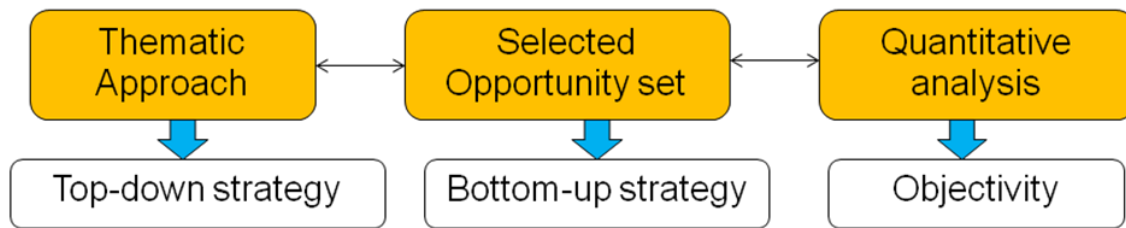


- Our forward 6 – 12 month’s fundamental views determine the strategic framework of our portfolios.
- Core weightings are a function of risks, earnings outlook, quality of management, stock liquidity, and market cap and portfolio diversification needs.
- Tactical overlays are implemented through actively adding or trimming positions as stock prices fluctuate or as potential share price catalysts draw nearer or dissipate.

Stock Selection - A Bottom-up strategy

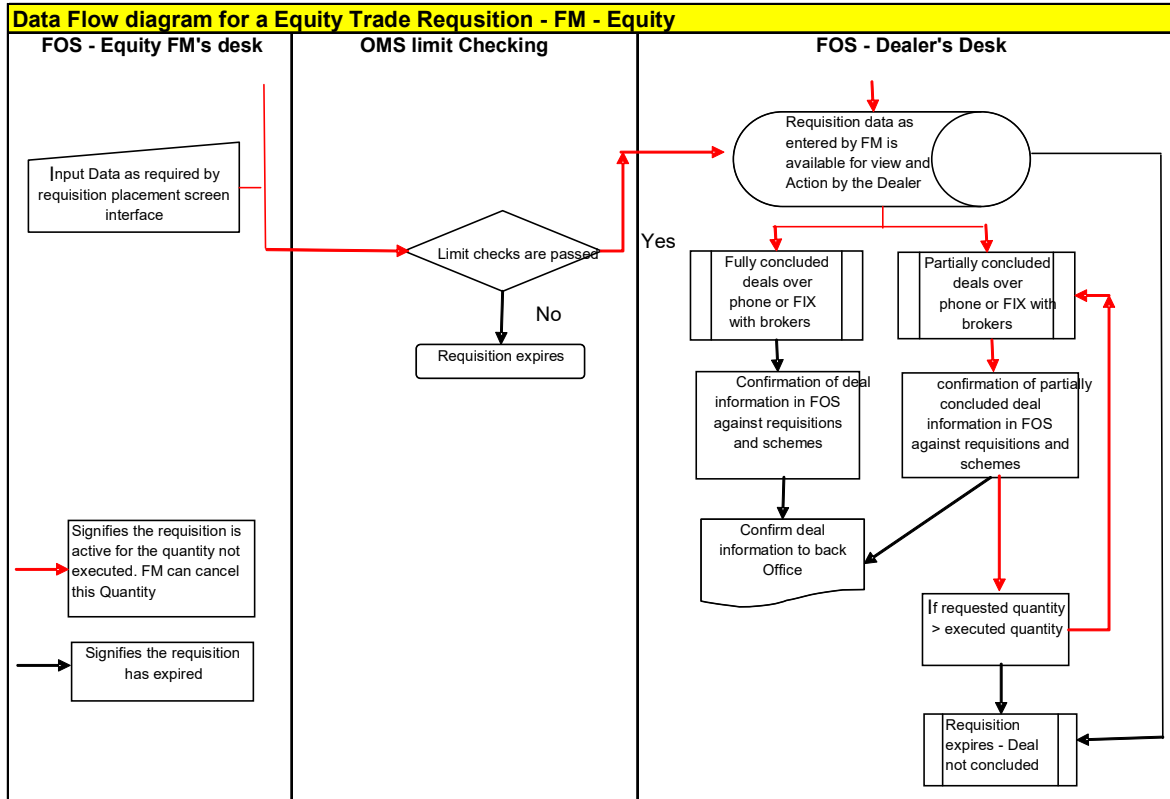


Benefiting from a multi-pronged strategy



- Construct portfolios with stocks displaying solid fundamentals
- Portfolio organized into a framework of investment themes enables us to:
 - Identify opportunities seeking high returns
 - Diversify risks across market/ sectors
- Quant approach to add dispassionate, scientific framework to the process

Equity Trade Requisition Process



Margin and Pledge in order to execute certain transactions:

Margin/pledge facility shall be availed in schemes. This shall be ensured that each scheme will be fully segregated in terms of providing shares for pledging or provision for margining such that on scheme's margin or collateral can't be utilized by another scheme.

Annexure III

The above AMFI Sector classification is applicable for Schemes.

Sector
Automobile and Auto Components
Capital Goods
Chemicals
Construction
Construction Materials
Consumer Durables
Consumer Services
Diversified
Fast Moving Consumer Goods
Financial Services
Forest Materials
Healthcare
Information Technology
Media, Entertainment & Publication
Metals & Mining
Oil, Gas & Consumable Fuels
Power
Realty
Services
Telecommunication

Textiles

Utilities

Annexure IV

Sr.No.	Name
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	

21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	
41	
42	
43	
44	
45	

46	
47	
48	
49	
50	
51	
52	
53	

* - The above list shall undergo change from time to time based on empanelment/de-activation of brokers, in future.

Annexure V

The Research Report format is as prescribed below. The Analyst should broadly follow the format while preparing the research report.

MIRAE ASSET Investment Managers (India) Pvt. Ltd

HOR:
Analyst:

Security Name	
Sector	
Recommendation	
CMP	
Target Price	
Upside	

Shareholding (%)	
Promoter	
FII	
DII	
Others	
Total	

Date	
Market Cap (Rs Cr)	

Investment Argument:

Valuation & Recommendation

Financials

Corporate Governance

Annexure :VI – Applicable Hard Limits

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	

ANNEXURE VII

Stop Loss Justification Note Format

Scrip Name:

Sector Name:

Portfolio Weight (%):

Benchmark Weight (%):

Market Cap (Rs. Crs):

Unrealised loss (%):

Performance:

Scrip Name	1m Ret	3m Ret	6m Ret	1Y Ret	2Y Ret	3Y Ret
Absolute return						
Sectoral Index Return						

1. Rationale for continuing to hold the scrip
2. Reason for such underperformance of the scrip
3. Estimated time horizon to recoup losses and future upside potential expected from the scrip
4. Risk factors
5. Financials
6. Whether any Sell-Side Report available supporting the above rationale to hold the scrip? If yes, please mention the details.

