



Pramerica

MUTUAL FUND

DHFL Pramerica Asset Managers Private Limited

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NOTICE CUM ADDENDUM [No. 35 of 2018 - 19]

NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENTS ('SIDs') AND KEY INFORMATION MEMORANDUMS ('KIMs') OF THE SCHEMES ('THE SCHEMES') OF DHFL PRAMERICA MUTUAL FUND ('THE MUTUAL FUND')

Participation by schemes of DHFL Pramerica Mutual Fund in Repo of Corporate debt securities

NOTICE is hereby given that, Boards of Director of DHFL Pramerica Asset Managers Pvt. Ltd. ('the AMC') and DHFL Pramerica Trustees Private Limited, Trustee to DHFL Pramerica Mutual Fund, have decided to make following changes to the SIDs and KIMs of the Schemes of the Mutual Fund:

1) In accordance with SEBI circular no. CIR/IMD/DF/19/2011 dated November 11, 2011 and CIR/IMD/DF/23/2012 dated November 15, 2012, schemes of the Mutual Fund shall participate in the 'Corporate Bond Repo' transactions as per guidelines issued by Reserve Bank of India (RBI) from time to time.

2) The extant guidelines concerning Corporate Bond Repos are as under:

- Gross exposure of the scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the concerned scheme.
- The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt, units of REITs & INVITS and derivatives shall not exceed 100% of the net assets of the concerned scheme.
- Mutual Funds shall participate in repo transactions only in 'AA and above' rated corporate debt securities.
- In terms of Regulation 44(2) mutual funds shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.

3) The investment restrictions applicable to the Scheme's participation in the Corporate Bond repos will also be as prescribed or varied by SEBI or by the Board of DHFL Pramerica Trustees Pvt. Ltd. (subject to SEBI requirements) from time to time.

4) The following guidelines shall be followed by DHFL Pramerica Mutual Fund for participating in repo in Corporate debt securities, which have been approved by the Board of AMC and Trustee Company:

a) Category of Counterparty to be considered for making investment:

All entities eligible for transacting in Corporate Bond repos as defined by SEBI and RBI shall be considered for repo transactions.

b) Credit rating of Counterparty to be considered for making investment:

The scheme shall participate in Corporate Bond repo transactions with counterparties having a minimum investment grade rating and approved by the Investment Committee on a case-to-case basis. In case a Counterparty is unrated, the Investment Committee will decide/ assign a rating to the Counterparty and report the same to the Board.

c) Tenor of Repo and Collateral:

As a repo seller (borrowing), the scheme will borrow cash for a period not exceeding 6 months or as per extant regulations. As a repo buyer, the Scheme are allowed to undertake the transactions (lending) for maximum maturity upto one year or such other terms as may be approved by the Investment Committee. There shall be no restriction / limitation on the tenor of the underlying collateral that is being accepted.

d) Applicable haircuts:

As per RBI circular RBI/2012-13/365 IDMD.PCD.09/14.03.02/2012-13 dated 07/01/2013, all Corporate Bond repo transaction will be subject to a minimum haircut given as given below:

- a. AAA : 7.50%
- b. AA+ : 8.50%
- c. AA : 10.00%

The haircut will be applicable on the prevailing market value of the said security on the prevailing date of trade. However, the fund manager may ask for a higher haircut (while lending) or give a higher haircut (while borrowing) depending on the prevailing market and liquidity situation.

5) Risks envisaged and Mitigation measures for repo transactions:

a) **Counterparty Risks** - Risks could arise if the Counterparty does not return the security (in a borrowing transaction) as contracted or pay interest (lending transaction) on the due date. This risk is largely mitigated, as the choice of counterparties is 'restricted' and their credit ratings and overall credit risk levels are taken into account before entering into such transactions.

b) **Settlement Risks** - Operational risks are lower as such trades are settled on a DVP (Delivery versus Payment - Safe settlement) basis. The trades are settled on a bilateral basis in the OTC segment.

c) **Collateral / Credit Risk** - In the event of the scheme being unable to pay back the money to the Counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin) and the net proceeds if any after such disposal may be refunded to the scheme. The value of the collateral will be monitored on a daily basis and shortfalls if any will lead to demand on the counterparty to top up collateral. In ability to comply with top up requests could lead to liquidation of security / collateral and an early / premature termination of the agreement.

This Notice-cum-Addendum forms an integral part of SIDs and KIMs of the Schemes of the Mutual Fund, as amended from time to time. All the other terms and conditions of SIDs and KIMs of the Schemes of the Mutual Fund will remain unchanged.

**For DHFL Pramerica Asset Managers Private Limited
(Investment Manager for DHFL Pramerica Mutual Fund)**

Place : Mumbai

Date : February 27, 2019

SD/-

Authorized Signatory

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**