Zerodha Fund House

Key Information Memorandum (KIM)

Zerodha Gold ETF FoF

(An open ended fund of fund scheme investing in units of Gold ETF)

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(An open ended fund of fund scheme investing in units of Gold ETF)

This product is suitable for investors who are seeking*:	Risk-o-meter of the Scheme	Risk-o-meter of the Benchmark (Domestic Price of Physical Gold)
To generate capital appreciation over long term. Investments in units of Gold ETF which in turn invest in Physical Gold.		
Investors should understand that their principal will be at ***High Risk*** *and the riskometer of the benchmark will be* ***High.***		

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

The product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when actual investments are made.

(Offer for face value of ₹10 per unit during New Fund Offer and at continuous offer for units at NAV based prices)

New Fund Offer opens on	**October 25, 2024**
New Fund Offer closes on	**November 08, 2024**
Scheme reopens on	**Scheme will reopen for continuous Sale and Repurchase within 05 Business Days from the date of allotment of units under NFO**

Name of Sponsor	**Zerodha Broking Limited**
Name of Mutual Fund	**Zerodha Mutual Fund**
Name of Asset Management Company	**Zerodha Asset Management Private Limited**
Name of Trustee Company	**Zerodha Trustee Private Limited**
Address	**Indiqube Penta, New No. 51 (Old No. 14), Richmond Road, Bangalore - 560 025**
Website	**www.zerodhafundhouse.com**

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. For details of the scheme/ Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights and services, risk factors, penalties & pending litigations, etc. investor should, before investing, refer to the Scheme Information Document and Statement of Additional Information available free of cost or access the same from the website www.zerodhafundhouse.com

The scheme particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

The Key Information Memorandum is dated October 14, 2024.

<table>
<tr>
<td>Investment Objective</td>
<td>The investment objective of the scheme is to seek capital appreciation by investing in units of Gold ETF.

There is no assurance or guarantee that the investment objective of the scheme would be achieved.</td>
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<tr>
<td>Asset Allocation Pattern of the Scheme</td>
<td>Under the normal circumstances, the asset allocation (% of Net Assets) of Scheme's portfolio will be as follows:

<table>
<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative allocations (% of total assets)</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Units of Gold Exchange Traded Fund (ETF)^</td><td>95%</td><td>100%</td></tr>
<tr><td>Debt Securities and Money Market instruments</td><td>0%</td><td>5%</td></tr>
</table>

^Zerodha Gold ETF and/or other schemes of other Mutual Funds or other Domestic Mutual Funds having similar objectives, strategy and asset allocation.

The cumulative gross exposure through Gold ETF Units, ETCD's, Money Market securities and other permitted securities/assets and such other securities/assets as may be permitted by SEBI from time to time should not exceed 100% of the net assets of the scheme.

The scheme can take exposure in ETCDs from 0% to 5% having gold as the underlying. It may be noted that the margin placed for taking exposure to ETCDs are generally lower than the ETCD exposure limit considered for the purposes of monitoring investment limits and therefore, the residual cash (i.e. ETCD exposure less placement of margin towards participation in ETCDs) are placed in cash and cash equivalents in the interest of investors. The said placement in cash and cash</td>
</tr>
</table>

equivalents shall not be considered as part of the limit of 0% to 5% allocated towards Debt & Money Market Instruments.

However, cash and cash equivalents* with residual maturity of less than 91 days may be treated as not creating any exposure.

**SEBI vide letter dated November 03, 2021, has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities.*

Subject to the Regulations, the Scheme may engage in Securities Lending activities. Securities Lending is a lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon. The AMC shall adhere to the following limits should it engage in Stock Lending:

1. Not more than 20% of the net assets of a Scheme can generally be deployed in Stock Lending.
2. Not more than 5% of the net assets of a Scheme can generally be deployed in Stock Lending to any single approved intermediary / counterparty.

The Scheme does not intend to undertake/ invest/ engage in the following:

<table>
<tr><th>S.No.</th><th>Type of Instrument</th><th>Percentage of exposure</th><th>Circular references</th></tr>
<tr><td>1.</td><td>Securitized Debt</td><td colspan="2" rowspan="6">The Scheme will not invest/engage in these instruments.</td></tr>
<tr><td>2.</td><td>Short selling of securities</td></tr>
<tr><td>3.</td><td>Repo in corporate debt</td></tr>
<tr><td>4.</td><td>Unrated instruments (except TREPs/ Government Securities/ SDL / Repo in Government Securities)</td></tr>
<tr><td>5.</td><td>Foreign securities/ADR/GDR</td></tr>
<tr><td>6.</td><td>ReITs and InVITs</td></tr>
</table>

	7. Instruments having Special Features as defined in SEBI Circular no. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021 8. Credit Enhancements & Structured Obligations 9. Credit Default Swap transactions **Short term defensive consideration:** Subject to SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021 and circulars issued thereunder, the asset allocation pattern indicated above may change for a short term period on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. These proportions may vary depending upon the perception of the Fund Manager, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be rebalanced within 7 calendar days from the date of deviation and further action may be taken as specified under SEBI Circulars/ AMFI guidelines issued from time to time.
Investment Strategy	The Fund shall be managed in line with the Investment Objective to generate returns that correspond closely to the returns generated by Gold Exchange Traded Fund (ETF). To realize this objective, the investment strategy of the Scheme would be to invest passively in Gold ETF. The Scheme will remain invested in the underlying scheme regardless of the prevailing gold price or future outlook for this asset class. **Though every endeavour will be made to achieve the objective of the Scheme, the AMC/Sponsors/Trustee do not guarantee that the investment objective of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.**
Risk Profile of the scheme	Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Scheme specific Risk Factors are summarized at page no 13-19. For details on risk factors and risk mitigation measures, please refer to the Scheme Information Document (SID).
Plans and Options	The scheme offers only Direct Plan.

<table>
<tr><td></td><td>The scheme offers only Growth Option.
The Trustees/ AMC reserves the right to introduce further Plan/ Options as and when deemed fit, subject to the SEBI (MF) Regulations.

For detailed disclosure on default plans and options, kindly refer to SAI.</td></tr>
<tr><td>Applicable NAV</td><td>The NAV applicable for purchase or redemption or switching of Units based on the time of the Business Day on which the application is accepted, subject to the provisions of 'realisation of funds' and 'cut off timings' as described in this Scheme Information Document.</td></tr>
<tr><td>Minimum Application Amount/ Number of Units</td><td><table><tr><th>Purchase</th><th>Additional Purchase</th><th>Redemption</th></tr><tr><td>₹ 500 and in multiples of ₹ 1 thereafter</td><td>₹ 500 and in multiples of ₹ 1 thereafter</td><td>The minimum redemption amount shall be ‘any amount’ or ‘any number of units’ as requested by the investor at the time of redemption.</td></tr></table>
The Minimum Application shall not be applicable to the mandatory investments made in the Scheme pursuant to the provisions of clause 6.9 and 6.10 of SEBI Master Circular dated June 27, 2024, as amended from time to time.</td></tr>
<tr><td>Despatch of Repurchase (Redemption request)</td><td>Redemption: Within three working days of the receipt of the redemption request.</td></tr>
<tr><td>Benchmark Index</td><td>Domestic Price of Physical Gold.

The performance of the scheme will be benchmarked to the performance of the Domestic price of physical gold.

The Trustees reserves the right to change the benchmark in future, if a benchmark better suited to the investment objective of the Scheme is available post prior intimation/ approval of SEBI.</td></tr>
<tr><td>Dividend Policy</td><td>Not Applicable</td></tr>
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<table>
<tr><td>Name of the Fund Manager</td><td>Mr. Shyam Agarwal and Mr. Kedarnath Mirajkar</td></tr>
<tr><td>Name of the Trustee Company</td><td>Zerodha Trustee Private Limited</td></tr>
<tr><td>Performance of the scheme</td><td>This scheme does not have any performance track record.</td></tr>
<tr><td>Additional Scheme Related Disclosures</td><td>This scheme is a new scheme and does not have any portfolio holdings.</td></tr>
<tr><td>Expenses of the scheme
(i) Load Structure

(ii)Recurring expenses</td><td>New Fund Offer Period

Exit/ Redemption Load: Nil.

Continuous Offer Period

Exit/ Redemption Load: Nil.

These are the fees and expenses incurred for the Scheme. These expenses include but are not limited to Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs, listing fee, etc.

The AMC has estimated that the following expenses will be charged to the Scheme as permitted under Regulation 52 of SEBI (MF) Regulations. For the actual current expenses being charged, the investor should refer to the website of the Mutual Fund viz. www.zerodhafundhouse.com

<table>
<tr><th>Expense Head</th><th>% of daily net assets (estimated) (p.a.)</th></tr>
<tr><td>Investment Management and Advisory Fees</td><td rowspan="5">Upto 1.00%</td></tr>
<tr><td>Trustee Fees and Expenses[1]</td></tr>
<tr><td>Audit Fees and Expenses</td></tr>
<tr><td>Custodian Fees and Expenses</td></tr>
<tr><td>RTA Fees and Expenses</td></tr>
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</td></tr>
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Marketing and Selling Expenses	
Cost related to Investor Communication	
Cost of fund transfer from one location to another	
Cost of providing account statements	
Cost of Statutory Advertisements	
Cost towards investor education and awareness[2]	
Brokerage and Transaction cost over and above 0.12% and 0.05% on value of trades for cash and derivative market trades only	
GST on expenses other than Investment Management and Advisory Fees[3]	
GST on brokerage and transaction cost[3]	
Other Expenses	
Maximum Total Expense Ratio (TER) permissible under Regulation 52 (6)[4]	**Upto 1.00%**

Provided that the total expense ratio to be charged over and above the weighted average of the total expense ratio of the underlying scheme(s) shall not exceed two times the weighted average of the total expense ratio levied by the underlying scheme(s), subject to the overall ceilings as stated above.

As per Regulation 52(6)(a), the total expenses of the Scheme including weighted average of charges levied by the underlying schemes shall not exceed 1.00 per cent of the daily net assets of the Scheme.

Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the Underlying Schemes in which the Investments are made by the Scheme.

[1] Trustee Fees and Expenses

In accordance with the Trust Deed constituting the Mutual Fund, the Trustee is entitled to receive, in addition to the reimbursement of all costs, charges, and expenses, a yearly fee of ₹1. Such fee shall be paid to the Trustee within seven working days of the end of every year. The Trustee may charge further expenses as permitted from time to time under the Trust Deed and SEBI (MF) Regulations.

[2] Investor Education and Awareness initiatives

	As per Para F of the SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012 read with SEBI Circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022, the AMC shall annually set apart at least 2 basis points p.a. (i.e. 0.02% p.a.) on daily net assets of the Plan(s) under the Scheme within the limits of total expenses prescribed under Regulation 52 of SEBI (MF) Regulations for investor education and awareness initiatives undertaken. *Fund of Funds (FoFs) investing more than 80% of its NAV in underlying domestic funds shall not be required to set aside 2 basis points p.a (i.e 0.02% p.a.) of the daily net assets towards investor education and awareness initiatives.* *[3] Refer Point (3) below on GST on various expenses.* *[4] The expenses towards Investment Management and Advisory Fees under Regulation 52 (2) and the various sub-heads of recurring expenses mentioned under Regulation 52 (4) of SEBI (MF) Regulations are fungible in nature. Thus, there shall be no internal sub-limits within the expense ratio for expense heads mentioned under Regulation 52 (2) and (4) respectively.* *The purpose of the above table is to assist the Investor in understanding the various costs and expenses that an Investor in the Plan(s) under the Scheme will bear directly or indirectly. The figures in the table above are estimates. The actual expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI (MF) Regulations.* **GST** As per Para B of the SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, GST shall be charged as follows: - a. GST on investment management and advisory fees shall be charged to the Scheme in addition to the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations. b. GST on other than investment management and advisory fees, if any, shall be borne by the Scheme within the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations. c. GST on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under Regulation 52 of the SEBI (MF) Regulations. The maximum limit of recurring expenses that can be charged to the Scheme would be as per Regulation 52 of the SEBI (MF) Regulation, 1996. Investors are requested to read "Section- Annual Scheme Recurring Expenses" in the SID. The mutual fund would update the current expense ratios on the website (www.zerodhafundhouse.com) at least three working days prior to the effective

<table>
<tr><td></td><td colspan="2">date of the change and update the TER under the Section titled “Statutory Disclosures” under the sub-section titled “Total Expense Ratio of Mutual Funds”.</td></tr>
<tr><td>Tax Treatment for the Investors (Unitholders)</td><td colspan="2">Investors are advised to refer to the paragraph on ‘Taxation’ in the ‘Statement of Additional Information’ and to consult their own tax advisors with respect to the specific amount of tax and other implications arising out of their participation in the scheme.</td></tr>
<tr><td>Daily Net Asset Value (NAV) Publication</td><td colspan="2">The NAV will be calculated by the AMC for each Business Day except in special circumstances. The first NAV shall be calculated and declared within 05 business days from the date of allotment.

AMC shall disclose the NAV for each Business Day as below:

1. On the website of the Fund/AMC - 10.00 A.M. on the next Business Day.

2. On the website of Association of Mutual Funds in India (AMFI) - 10.00 A.M. on the next Business Day.</td></tr>
<tr><td>For Investor Grievances please contact</td><td>Investors can lodge any service request or complaints or enquire about NAVs, Unit Holdings, etc. by sending an email to support@zerodhafundhouse.com
The investor service representatives may require personal information of the Investor for verification of his / her identity in order to protect confidentiality of information.

The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.

Any complaints should be addressed to the Investor Relations Officer.

Address:
Investor Relation Officer
Zerodha Asset Management Private Limited
New No.51, IndiQube Penta, 2nd Floor, Richmond Road, Bangalore - 560 025
Email - iro@zerodhafundhouse.com</td><td>Registrar and Transfer Agent

Computer Age Management Services Limited (CAMS)

Rayala Tower-1, 158 Anna Salai, Chennai - 600 002
Website: www.camsonline.com

<u>Please note that the Investor Grievances are being handled by AMC, so Investors are requested to reach out directly to the AMC.</u></td></tr>
</table>

	For any grievances with respect to transactions through BSE StAR, the investors / Unit Holders should approach either the stockbroker or the investor grievance cell of the stock exchange. Investors may escalate to the Compliance Officer at compliance@zerodhafundhouse.com and/ or CEO at ceo@zerodhafundhouse.com if they do not receive a response/ not satisfied with the response from the Investor Relations Team.	
Unitholders' Information	**ACCOUNT STATEMENTS DURING ONGOING OFFER PERIOD** The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or mobile number (whether units are held in demat mode or in account statement form). A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor(if any)) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month by mail or email on or before 15th of the succeeding month. Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable Please refer to SAI for details. **Half Yearly Portfolio Statement** The Mutual Fund/ AMC will disclose the portfolio (along with ISIN) of the Scheme, including Segregated Portfolio, if any, in the prescribed format, as on the last day of half-year i.e. March 31 and September 30, on its website viz. www.zerodhafundhouse.com and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com within 10 days from the close of each half-year respectively. The Mutual Fund / AMC will send via mail, to the registered	

	email address of the unitholders, the half-yearly statement of scheme portfolio within 10 days from the close of each half-year respectively. Mutual Fund / AMC will publish an advertisement every half-year in an all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the half-yearly statement of the Scheme portfolio on its website and on the website of Association of Mutual Funds in India (AMFI). Mutual Fund / AMC will provide a physical copy of the statement of its Scheme portfolio, without charging any cost, on specific request received from a unitholder. **Annual Report** Scheme Annual report in the format prescribed by SEBI, will be hosted on the website of the Fund viz. www.zerodhafundhouse.com and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com as soon as may be but not later than four months from the date of closure of the relevant accounts year (i.e. 31st March each year). Mutual Fund / AMC will publish an advertisement every year, in the all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the Scheme wise Annual Report on the website of the Fund and on the website of Association of Mutual Funds in India (AMFI). Mutual Fund / AMC will email the Scheme Annual Report or Abridged Summary thereof to the unitholders registered email address with the Mutual Fund. Mutual Fund / AMC will provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on specific request received from a unitholder through any mode. A physical copy of the scheme wise annual report shall be made available for inspection to the investors at the registered office of the AMC. A link of the scheme annual report or abridged summary thereof shall be displayed prominently on the website of the Fund and shall also be displayed on the website of Association of Mutual Funds in India (AMFI).

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Risk Factors

Scheme Specific Risk Factors

The scheme intends to invest in units of Gold ETF. The Scheme may also invest a certain portion of its corpus in Debt Securities and Money Market Instruments. Investors who intend to invest in the Scheme are required to and deemed to have understood the risk factors of the underlying schemes.

The scheme assets will predominantly be invested in units of Gold ETF and valued at the market price of the said units on the principal exchange. The same may be at a variance to the underlying NAV of the fund, due to market expectations, demand supply of the units, etc. To that extent the performance of the scheme shall be at variance with that of the underlying scheme.

The performance of the Scheme may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems, etc. Some of the Risks are listed below:

Risk associated with Fund of Fund:

- The Scheme's performance will predominantly depend upon the performance of the Underlying ETF.
- Any change in the investment policy or the fundamental attributes of the Underlying ETF in which the Scheme invests may affect the performance of the Scheme.
- Dependence on the Investment Manager of the underlying ETF: The success of the underlying ETF depends on the ability of the respective Investment Manager to implement investment strategies that achieve their investment objective.
- In addition to the recurring expenses of the Scheme, the Unit Holders shall also bear the applicable expenses of the underlying ETF. Therefore, the returns that the Unit Holder of the Scheme may receive may be impacted or may, at times, be lower than the returns that a Unit Holder, who is directly investing in the same underlying ETF, could obtain.

Risk associated with underlying scheme (Gold ETFs):

- Active Market: Although the units of the scheme are listed on the exchange, there can be no assurance that an active secondary market will be developed or maintained. The AMC and the Trustees will not be liable for delay in trading of Units on Stock Exchange due to the occurrence of any event beyond their control. For an investor in less than creation unit size, exchange quotes may not be always available.
- Liquidity Risk: Trading in units of the scheme on the Exchange may be halted because of market conditions or for reasons that in view of the Exchange authorities or SEBI, trading in units of the scheme is not advisable. In addition, trading in units is subject to trading halts caused by extraordinary market volatility and pursuant to Stock Exchange(s) and SEBI 'circuit filter' rules as applicable from time to time. There can be no assurance that the requirements of the exchange(s) necessary to maintain the listing of units of the scheme will continue to be met or will remain unchanged.
- Redemption Risk: The AMC will appoint Authorised Participants (APs)/ Market Makers (MMs) to provide liquidity for the units of Gold ETFs in the secondary market on an ongoing basis. The Market

Maker(s) would offer daily two-way quotes (buy and sell quotes) in the market. Further, the price received upon redemption of units may be less than the value of the gold represented by them.

- Regulatory change: Any changes in trading regulations by the Stock Exchange(s) or SEBI may affect the ability of market makers to arbitrage resulting in wider premium / discount to NAV. The Units of the Scheme may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of Scheme's holdings. The trading prices of Units of the Scheme will fluctuate in accordance with changes in their NAV as well as market supply and demand for the Units of the Scheme.
- Settlement: The Units will be issued only in demat form through depositories. The records of the depository are final with respect to the number of Units available to the credit of the Unit holder. Settlement of trades, repurchase of Units by the Mutual Fund during liquidity window depends upon the confirmations to be received from depository(ies) on which the Mutual Fund has no control.

Risks associated with gold/commodity:

Global gold supplies and demand, which is influenced by factors such as forward selling by gold producers, purchases made by gold producers to unwind gold hedge positions. Productions and cost levels in major gold producing countries can also impact gold prices. Further, Central bank purchases and sales also impact the price of Gold. The prices of gold are also affected:-

- Macro-economic factors: Expected rate of inflation versus actual may impact the price of gold. Global or regional political, economic or financial events and situations of countries, changes in interest rates and perceived trends in bullion prices, exchange rates, inflation trends, market movements, etc. can also impact price and demand / supply.
- Central banks' sale: Central banks across the world hold a part of their reserves in gold. The quantum of their sale in the market is one of the major determinants of gold prices. A higher supply than anticipated would lead to subdued gold prices and vice versa. Central banks buy gold to augment their existing reserves and to diversify from other asset classes. This acts as a support factor for gold prices. • Mining & Production – Lower production could have a positive effect on gold prices. Conversely excessive production capacities would lead to a downward movement in gold prices as the supply goes up.
- Currency exchange rates: A weakening dollar may act in favor of gold prices and vice versa.
- Changes in regulations or taxes or any other levies: Any changes in trading regulations by the stock exchange(s) or SEBI may affect the ability of Authorized Participant to arbitrage resulting in wider premium / discount to NAV. Any changes in the regulations relating to import and export of gold or gold jewelry (including customs duty, sales tax and any such other statutory levies) may affect the ability of the Scheme to buy / sell gold against the purchase and redemption requests received. Any change in the rates of indirect taxation / applicable taxes would affect the valuation of the Scheme.
- Seasonal demand: Demand for Gold in India is closely tied to the production of jewelry which tends to increase ahead of festive seasons. Any factor impacting the seasonal demand will impact the prices of gold Gold Regulatory risk – Movement/trade of gold that may be imposed by RBI. Trade and restrictions on import/export of gold or gold jewelry etc may also impact prices and demand/supply.
- Market Liquidity: There can be no assurance that the requirements of the market necessary to maintain the listing of Gold ETF will continue to be met or will remain unchanged. Gold ETF may suffer liquidity risk from domestic as well as international markets.
- Demand-Supply mismatch: To the extent that demand for gold exceeds the available supply at that time, Authorized Participants may not be able to readily acquire sufficient amounts of gold necessary for the creation of a Basket. Market speculation in gold could result in increased requests

for the issuances. It is possible that Authorized Participants may be unable to acquire sufficient gold that is acceptable for delivery for the issuance of new Baskets due to a limited then-available supply coupled with a surge in demand for the ETF units. In such circumstances, the AMC may suspend or restrict the issuance of Baskets. Such occurrence may lead to further volatility in the price and deviations, which may be significant, in the market price of the ETF units relative to the NAV.

- Market volatility: The gold market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to factors such as gold's uses in jewelry, technology, and industrial applications, or cost and production levels in major gold-producing countries.
- Indirect Taxation: For the valuation of gold by the Scheme, indirect taxes like customs duty, VAT, etc. would also be considered. Hence, any change in the rates of indirect taxation / applicable taxes would affect the valuation of the Scheme.

Risk factors associated with investing in Gold Monetisation Scheme (GMS) and Gold Deposit Scheme (GDS):

The ETF shall, as permitted by SEBI, may invest a part of its pool of physical gold assets in Gold Monetisation Scheme (GMS)/Gold Deposit Scheme (GDS) run by Banks. Under the GMS/GDS, the ETF will deposit its physical gold assets as principal with the Banks that offer such a facility ("the issuer"). A situation could arise where the issuer is unable to return the principal physical gold to the ETF upon maturity or in case of an early redemption. Such inability to return physical gold could arise on account of liquidity problems or general financial health of the issuer. A default by the issuer under a GMS /GDS may result in losses to the Unit holders of the ETF. GMS/GDS being an unlisted and non-transferable security can be Redeemed only with the issuer and hence, is subject to the risk of an issuer's inability to meet principal and interest payments on the obligation (credit risk). Credit Risk means that the issuer of a Security may default on interest payments or even pay back the principal amount on maturity (i.e. the issuer may be unable to make timely principal and interest payments on the Security) which may result in losses to the Unitholders of the ETF.

Risks Factors Associated with Handling, Storing and Safekeeping of Physical Gold

All physical gold procured must follow the LMBA guidelines as per prescribed SEBI guidelines.

Risk arises when part or all of the gold held by the Fund could be lost, stolen or damaged and access to gold may be restricted due to natural calamities or human actions, loss or damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power. Loss due to aridity, humidity, exposure to light or extremes of temperature. Hence, the Custodian maintains insurance in regard to the business on terms and conditions and the custodian is also responsible for all costs arising from the insurance policies. The custodian taking delivery on behalf of the AMC needs to ensure the weight, purity, and the source of gold as specified under the LMBA guidelines.

Since this is paramount to the SEBI guidelines the risk arises in violation of the same.

Safekeeping of physical gold requires appropriate vaulting space, confirming to the best global standards. The vaulting agents engaged by the custodian need to ensure the same.

Risks Factors Associated with Custody of Physical Gold

The Custodian is responsible for the safekeeping of the gold bullion and also facilitates the transfer of gold bullion into and out of the vault. Although the Custodian is a clearer and approved weigher under the rules of the LBMA (which sets out good practices for participants in the bullion market), the LBMA is not an official or governmental regulatory body. Accordingly, the Scheme is dependent on the Custodian to comply with the best practices of the LBMA and to implement satisfactory internal controls for its gold bullion custody operations in order to keep the gold bullion secure.

The Custodian is responsible for loss or damage to the gold only under limited circumstances. The Custodian Agreement contemplates that the Custodian will be responsible to the AMC only if it acts with negligence, fraud or in willful default of its obligations under the Custodian Agreement. In addition, the Custodian has agreed to indemnify the Trust for any loss or liability directly resulting from a breach of the Custodian’s representations and warranties in the Custodian Agreement, a failure of the Custodian to act in accordance with the instructions or any physical loss, destruction or damage to the gold held for the Trust’s account, except for losses due to nuclear fission or fusion, radioactivity, war, terrorist event, invasion, insurrection, civil commotion, riot, strike, act of government or public authority, act of God or a similar cause that is beyond the control of the Custodian for which the Custodian will not be responsible to the AMC. The Custodian’s liability to the AMC, if any, will be limited to the value of any gold lost, or the amount of any balance held on an unallocated basis, at the time of the Custodian’s negligence, fraud or willful default, or at the time of the act or omission giving rise to the claim for indemnification.

Neither the Shareholders nor any Market Makers have a right under the Custodian Agreement to assert a claim against the Custodian. Claims under the Custodian Agreement may only be asserted by the AMC.

The procedures agreed with the Custodian contemplate that the Custodian must undertake certain tasks in connection with the inspection of gold delivered by Market Makers in exchange for Baskets. The Custodian’s inspection includes review of the corresponding bar list to ensure that it accurately describes the weight, fineness, refiner marks and bar number appearing on the gold bars, but does not include any chemical or other tests designed to verify that the gold received does, in fact, meet the purity requirements. Accordingly, such inspection procedures may not prevent the deposit of gold that fails to meet these purity standards. The Custodian will not be responsible or liable to the Trust or to any investor in the event any gold otherwise properly inspected by it does not meet the purity requirements.

The AMC does not insure its gold (Underlying gold of the scheme). The Custodian maintains insurance on such terms and conditions as it considers appropriate in connection with its custodial obligations under the Custodian Agreement and is responsible for all costs, fees and expenses arising from the insurance policy or policies. The AMC is not a beneficiary of any such insurance and does not have the ability to dictate the existence, nature or amount of coverage. Therefore, Unitholders cannot be assured that the Custodian maintains adequate insurance or any insurance with respect to the gold held by the Custodian on behalf of the Trust.

Risks Factors Associated with Trading in the Secondary Market

Although Units of Scheme are listed / to be listed on the Stock Exchange(s), there can be no assurance that an active secondary market will be developed or be maintained.

Trading in Units of the Scheme on the Stock Exchange(s) may be halted because of market conditions or for reasons that in view of the Exchange Authorities or SEBI, trading in Units of the Scheme is not advisable. In addition, trading in Units of the Scheme is subject to trading halts caused by extraordinary market volatility and pursuant to the Exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of the Stock Exchange(s) necessary to maintain the listing of Units of the Scheme will continue to be met or will remain unchanged.

Any changes in trading regulations by the Stock Exchange(s) or SEBI may affect the ability of market makers to arbitrage resulting in wider premium / discount to NAV.

The Units of the Scheme may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of Scheme's holdings. The trading prices of Units of the Scheme will fluctuate in accordance with changes in their NAV as well as market supply and demand for the Units of the Scheme.

The Units will be issued only in demat form through depositories. The records of the depository are final with respect to the number of Units available to the credit of the Unit holder. Settlement of trades, repurchase of Units by the Mutual Fund during liquidity window depends upon the confirmations to be received from depository(ies) on which the Mutual Fund has no control.

Governments, central banks and related institutions worldwide, own a significant portion of the aggregate world gold holdings. If one or more of these institutions decides to sell in amounts large enough to cause a decline in world gold prices, the price of Units of the Scheme will be adversely affected.

The Scheme provides for the creation and redemption of Units in Creation Unit Size directly with the Fund and therefore, it is expected that large discounts or premiums to the NAV of the Units of the Scheme will not sustain due to arbitrage opportunities available.

Conversion of underlying physical gold into the Units of the Scheme may attract capital gain tax depending on acquisition cost and holding period.

<u>Risk associated with investing in exchange traded commodity derivatives Commodity risks</u>

Volatility in the commodities markets may be caused by changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates, investment and trading activities of mutual funds, hedge funds and commodities funds, and factors such as drought, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments, or supply and demand disruptions. Because the Fund's performance is linked to the performance of volatile commodities, investors should be willing to assume the risks of potentially significant fluctuations in the value of the Fund's shares. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of investment strategies depends upon the ability of the fund manager(s) to identify such opportunities which may not be available at all times. Identification and execution of the strategies to be pursued by the fund manager(s) involve uncertainty and the decision of the fund manager(s) may not always be profitable. No assurance can be given that the fund manager(s) will be able to identify or execute such strategies.

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

<u>Risks associated with Debt and Money Market Instruments or Fixed Income Securities</u>

Debt and Money Market Instruments or Fixed Income Securities are subject to the risk of an issuer's inability to meet interest and principal payments on its obligations and market perception of the creditworthiness of the issuer.

Credit Risk: This is the risk associated with the issuer of a debenture/bond or a Money Market Instrument defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is the safest. 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 particular rating agency is safer than a bond rated lower by the same rating agency.

Interest Rate Risk: Fixed income securities such as government bonds, corporate bonds and Money Market Instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.

Liquidity Risk: The Indian debt market is such that a large percentage of the total traded volumes on particular days might be concentrated in a few securities. Traded volumes for particular securities differ significantly on a daily basis. Consequently, the scheme might have to incur a significant "impact cost" while transacting large volumes in a particular security.

Reinvestment Risk: Investments in fixed income securities carry reinvestment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.

Basis Risk: The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements, leading to loss of value of the portfolio.

Spread Risk: In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. During the tenure of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.

Risk of Rating Migration: It may be noted that the price of a rated security would be impacted with the change in rating and hence, there is risk associated with such migration.

Counterparty and Settlement Risk: Corporate Bond Repo will be settled between two counterparties in the OTC segment unlike in the case of TREPS transactions where CCIL stands as central counterparty on all transactions (no settlement risk). Settlement risk in reverse repo will be mitigated by requiring the counterparty (entity borrowing funds from the Mutual Fund) to deliver the defined collateral in the account of the MF before the cash is lent to the counterparty. Further, the Mutual Fund will also have a limited universe of counterparties comprising of Scheduled Commercial Banks, Primary Dealers, Mutual Funds and National Financial Institutions.

Legislative Risk: Changes in government policy in general and changes in tax benefits applicable to Mutual Funds may impact the returns to investors in the scheme.

Risk of Rating Migration: It may be noted that the price of a rated security would be impacted with the change in rating and hence, there is risk associated with such migration

Risk factors associated with processing of transactions through Stock Exchange Mechanism

The trading mechanism introduced by the Stock Exchange(s) is configured to accept and process transactions for mutual fund Units in both Physical and Demat Form. The allotment and/or redemption of Units through NSE and/or BSE or any other authorized Stock Exchange(s), on any Business Day will depend upon the modalities of processing viz. collection of application form, order processing /settlement, etc. upon which the Fund has no control. Moreover, transactions conducted through the Stock Exchange mechanism shall be governed by the operating guidelines and directives issued by respective recognized Stock Exchange(s). Accordingly, there could be negative impacts to the investors such as delay or failure in allotment / redemption of units. The Fund and the AMC are not responsible for the negative impacts.

Risks associated with segregated portfolio:

The unit holders may note that no redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in the segregated portfolio, the AMC shall enable listing of units of segregated portfolio on the recognized stock exchange.

The risks associated in regard to the segregated portfolio are as follows:

- The investors holding units of the segregated portfolio may not be able to liquidate their holdings till the time of recovery of money from the issuer.
- The security comprising the segregated portfolio may not realize any value.
- Listing units of the segregated portfolio on a recognized stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units of the segregated portfolio on the stock exchange.
- The trading price of units on the stock exchange may be significantly lower than the prevailing Net Asset Value (NAV) of the segregated portfolio.

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