Zerodha Fund House

Key Information Memorandum (KIM)

Zerodha Overnight Fund

(An open ended debt scheme investing in overnight securities. A Relatively Low Interest Rate Risk and Relatively Low Credit Risk)

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(An open ended debt scheme investing in overnight securities. A Relatively Low Interest Rate Risk Relatively Low Credit Risk.)

This product is suitable for investors who are seeking*:	Risk-o-meter of the Scheme	Risk-o-meter of the Benchmark (Nifty 1D Rate Index)
Short Term savings		
To generate returns by investing in debt and money market instruments with overnight maturity		
Investors should understand that their principal will be at ***Low Risk***		

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

Potential Risk Class ('PRC") Matrix of the Scheme

Credit Risk / Interest Rate Risk	Relatively Low (Class A)	Moderate (Class B)	Relatively High Class (Class C)
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High Class (Class III)			

The product labeling 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.

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

New Fund Offer opens on	**March 19, 2025**
New Fund Offer closes on	**April 02, 2025**
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 March 12, 2025.

<table>
<tr>
<td>Investment Objective</td>
<td>The investment objective of the Scheme is to generate returns commensurate with low risk and providing high level of liquidity, through investments made in debt and money market securities having maturity of 1 business day including TREPS (Tri-Party Repo).

There is no assurance or guarantee that the investment objective of the scheme would be achieved.</td>
</tr>
<tr>
<td>Asset Allocation Pattern of the Scheme</td>
<td>Under the normal circumstances, the asset allocation of the Scheme will be as follows:
<table>
<tr><th>Type of Instruments</th><th>Indicative allocations (% of total assets)</th><th>Risk Profile</th></tr>
<tr><td>Overnight securities or debt / money market instrument maturing on or before the next business day</td><td>Upto 100%</td><td>Low</td></tr>
</table>
In accordance with the provisions of Para 2.6 of the SEBI Master Circular for Mutual Funds dated June 27, 2024, as amended from time to time, the scheme may deploy upto 5% of its net assets in G-secs and/or T-bills with a residual maturity of upto 30 days for the purpose of placing the same as margin and collateral for certain transactions.

The Scheme would invest all its funds in Tri-Party Repo on Government Securities or T-bills/Repo & Reverse Repo predominantly and other money market instruments*.

*Money market instruments include, but are not limited to Treasury Bills, Commercial Paper of Public Sector Undertakings and Private Sector Corporate Entities, Term Money, Tri-party repo, Certificates of Deposit of Scheduled Commercial Banks, Financial Institutions and Development Financial Institutions, Government securities and other Money Market securities as may be permitted by SEBI / RBI from time to time and in the manner prescribed under the Regulations.

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>Derivatives</td><td colspan="2" rowspan="3"></td></tr>
<tr><td>2.</td><td>Securitized Debt</td></tr>
<tr><td>3.</td><td>Short selling of securities</td></tr>
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</table>

4.	Stock Lending and Borrowing	The Scheme will not invest/engage in these instruments.
5.	Repo in corporate debt	
6.	Unrated instruments (except TREPs/ Government Securities/ SDL / Repo in Government Securities);	
7.	Foreign securities/ADR/GDR	
8.	ReITs and InVITs	
9.	Instruments having Special Features as defined in SEBI Circular no. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021;	
10.	Credit Enhancements & Structured Obligations; and	
11.	Credit Default Swap transactions	

The cumulative gross exposure through TREPS, money market instruments and such other securities/assets as may be permitted by the Board from time to time shall not exceed 100% of the net assets of the scheme.

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.*

As per SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019, Liquid Funds and Overnight Funds shall not park funds pending deployment in short term deposits of scheduled commercial banks.

The scheme may invest upto 5% of net assets in Overnight schemes of the Mutual Fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the management of Zerodha Asset Management Private Limited or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of Zerodha Mutual Fund. The AMC shall not charge any investment management fees with respect to such investment.

<table>
<tr><td>Investment Strategy</td><td>The scheme will invest predominantly in Tri-party REPO, debt, money market securities, cash and cash equivalents having overnight maturity.

The primary objective of the Scheme is to generate returns commensurate with low risk and providing high level of liquidity, through investments made in debt and money market securities having maturity of 1 business day including TREPS (Tri-Party Repo).

The Scheme may also invest in the schemes of Mutual Funds in terms of the prevailing SEBI (Mutual Funds) Regulations, 1996.

Though every endeavour will be made to achieve the objective of the Scheme, the AMC/Sponsor/Trustee do not guarantee that the investment objective of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.</td></tr>
<tr><td>Risk Profile of the scheme</td><td>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. 14-17.

For details on risk factors and risk mitigation measures, please refer to the Scheme Information Document (SID).</td></tr>
<tr><td>Plans and Options</td><td>The scheme offers only Direct Plan.

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.</td></tr>
<tr><td>Applicable NAV (after the scheme opens for subscriptions and redemptions)</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 'realization of funds' and 'cut off timings' as described in the 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>₹ 100 and in multiples of ‘any amount’ thereafter.</td><td>₹ 100 and in multiples of ‘any amount’ 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></td></tr>
</table>

Despatch of Repurchase (Redemption request)	Redemption: Within three working days of the receipt of the redemption request.
Benchmark Index	Nifty 1D Rate Index The Nifty 1D Rate Index measures the return generated by market participants lending in the overnight market. The index uses the overnight rate provided through Triparty Repo Dealing System for computation of index values. Thus, the aforesaid benchmark is most suited for comparing the performance of the Scheme. *Please note that SEBI circular dated October 27, 2021 read with Circular dated December 10, 2021 requires mutual funds to adopt first tier benchmarks for open ended debt schemes, as per the Potential Risk Class (PRC) matrix, as notified by AMFI. Accordingly, the benchmark is selected from the benchmarks notified by AMFI for the category of scheme in line with the Scheme's PRC level/credit risk level (as available for the benchmark). The performance will be benchmarked to the Total Returns Variant of the Index. The Trustee reserves the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with the investment objectives and appropriateness of the benchmark subject to SEBI (MF) Regulations, and other prevailing guidelines, if any.*
Dividend Policy	Not Applicable
Name of the Fund Manager	Mr. Kedarnath Mirajkar
Name of the Trustee Company	Zerodha Trustee Private Limited
Performance of the scheme	This scheme is a new scheme and does not have any performance track record.
Additional Scheme Related Disclosures	**Additional Scheme related disclosures:** (i) **Scheme Portfolio Holdings:** Please visit the AMC/MF website viz.www.zerodhafundhouse.com/resources/disclosures for Top 10 holdings by issuer and the portfolio holdings statements of the scheme.

<table>
<tr><td></td><td>(ii) Disclosure of name and exposure to Top 7 issuers, stocks, groups and sectors

Not Applicable.

(iii) Portfolio Turnover Rate:

Not Applicable</td></tr>
<tr><td>Expenses of the scheme

(i) Load Structure

(ii)Recurring expenses</td><td>New Fund Offer Period
Exit/ Redemption Load: Not Applicable

Continuous Offer Period
Exit/ Redemption Load: Not Applicable

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 total recurring expenses of the Scheme shall be as per the limits prescribed under sub-regulation 6 and 6A of Regulation 52 of the SEBI Regulations and shall not exceed the limits prescribed there under as a percentage limit of daily net assets. As per the Regulation 52(6), the maximum recurring expenses that can be charged to the Scheme shall be subject to a percentage limit of daily average net assets in the table below:

<table>
<tr><th>Assets under management Slab (In ₹ cr)</th><th>Maximum Expense Ratio (%)</th></tr>
<tr><td>on the first ₹ 500 crores of the daily net assets</td><td>2.00%</td></tr>
<tr><td>on the next ₹ 250 crores of the daily net assets</td><td>1.75%</td></tr>
<tr><td>on the next ₹ 1,250 crores of the daily net assets</td><td>1.50%</td></tr>
<tr><td>on the next ₹ 3,000 crores of the daily net assets</td><td>1.35%</td></tr>
<tr><td>on the next ₹ 5,000 crores of the daily net assets</td><td>1.25%</td></tr>
<tr><td>On the next ₹ 40,000 crores of the daily net assets</td><td>TER reduction of 0.05% for every increase of Rs.5,000 crores of daily net assets or part thereof.</td></tr>
<tr><td>On balance of the assets</td><td>0.80%</td></tr>
</table>
</td></tr>
</table>

The AMC may charge upto 2% of the daily net assets to the scheme as expenses 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="12">Upto 2.00%</td></tr>
<tr><td>Audit Fees and Expenses of Trustees[1]</td></tr>
<tr><td>Custodian Fees and Expenses</td></tr>
<tr><td>Registrar & Transfer Agent Fees including cost of providing account statements / IDCW / redemption cheques/ warrants</td></tr>
<tr><td>Marketing & Selling Expenses including Agents Commission and statutory advertisement</td></tr>
<tr><td>Cost related to Investor Communication</td></tr>
<tr><td>Cost of fund transfer from one location to another</td></tr>
<tr><td>Cost towards investor education and awareness[2]</td></tr>
<tr><td>Brokerage and Transaction cost over and above 0.12% and 0.05% on value of trades for cash and derivative market trades only</td></tr>
<tr><td>Goods & Services Tax on expenses other than investment and advisory fees[3]</td></tr>
<tr><td>Goods & Services Tax on brokerage and transaction cost[3]</td></tr>
<tr><td>Other Expenses (to be specified as per Reg 52 of SEBI MF Regulations)</td></tr>
<tr><td>Maximum Total Expense Ratio (TER) permissible under Regulation 52 (6)(C)[4]</td><td>Upto 2.00%</td></tr>
</table>

[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.* *[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 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 total expenses of the Scheme including the Investment Management and Advisory Fee shall not exceed the limits stated in Regulation 52 of the SEBI (MF) Regulations. 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 “Disclosures” under the sub-section titled “TER”.</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 (SAI)’ 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.

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

1. On the website of the Fund/AMC - 11.00 P.M. every Business Day.
2. On the website of Association of Mutual Funds in India (AMFI) - 11.00 P.M. every 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 endeavor 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 - 560025
Email - iro@zerodhafundhouse.com

For any grievances with respect to transactions through BSE StAR, the</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>

	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 As the Units of the Scheme will be issued, traded and settled mandatorily in dematerialized (electronic) form, the statement of holding of the Unitholder i.e. beneficiary account holder will be sent by the respective DPs periodically 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). *Email ID for communication: First / Sole Holders should register their own email address and mobile number in their folio for speed and ease of communication in a convenient and cost-effective manner, and to help prevent fraudulent transactions.*

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Risk Factors

Scheme Specific Risk Factors

The Scheme is subject to the specific risks that may adversely affect the Scheme's NAV, return and / or ability to meet its investment objective. The specific risk factors related to the Scheme include, but are not limited to the following:

Risks associated with Debt and Money Market Instruments or Fixed Income Securities

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.

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

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

However, debt securities in the scheme are intended to be held till maturity. For such securities held till maturity, there will not be any interest rate risk at the end of the tenure.

Floating rate securities issued by a government have the least sensitivity to interest rate movements, as compared to other securities. The Government of India has already issued a few such securities and the Investment Manager believes that such securities may become available in future as well. These securities can play an important role in minimising interest rate risk on a portfolio.

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. This may result in 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 or favourably leading to fluctuations 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.
Following table illustrates the impact of change of rating on the price of a hypothetical 'AA' rated security with a maturity period of 3 years, a coupon of 9.00% p.a. and a market value of ₹ 100. If it is downgraded to 'A' category, which commands a market yield of, say, 10.00% p.a., its market value would drop to ₹ 97.51 (i.e. 2.49%) If the security is up-graded to 'AAA' category which commands a market yield of, say, 8.00% p.a. its market value would increase to ₹ 102.58 (i.e. by 2.58%). The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating.

Rating	Yield (% p.a.)	Market Value (Rs.)
Existing Rating of AA	9.00	100.00
If upgraded to AAA	8.00	102.58
If downgraded to A	10.00	97.51

Counterparty and Settlement Risk: Counterparty and settlement risk is the probability that the other party may not fulfil its part of the deal and may default on the contractual obligations. This risk comprises credit and liquidity risk both. 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, but not limited to, 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.

Prepayment risk: Certain fixed income securities give an issuer the right to call back its securities before their maturity date, in periods of declining interest rates. The possibility of such prepayment may force the fund to reinvest the proceeds of such investments in securities offering lower yields, resulting in lower interest income for the fund.

Different types of securities in which the scheme would invest as given in the SID carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment

pattern. E.g. corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds, which are AA rated, are comparatively more risky than bonds, which are AAA rated.
Risks associated with investing in Tri Party Repo through CCIL (TREPS)

The mutual fund is a constituent member of the securities segment and Tri-party Repo trade settlement of the Clearing Corporation of India (CCIL). All transactions of the mutual fund in government securities and in Tri-party Repo trades are settled centrally through the infrastructure and settlement systems provided by CCIL; thus, reducing the settlement and counterparty risks considerably for transactions in the said segments.

CCIL maintains prefunded resources in all the clearing segments to cover potential losses arising from the default member. In the event of a clearing member failing to honour his settlement obligations, the default Fund is utilised to complete the settlement. The sequence in which the above resources are used is known as the “Default Waterfall”.
As per the waterfall mechanism, after the defaulter’s margins and the defaulter’s contribution to the default fund have been appropriated, CCIL’s contribution is used to meet the losses. Post utilisation of CCIL’s contribution if there is a residual loss, it is appropriated from the default fund contributions of the non-defaulting members.
Thus, the scheme is subject to risk of the initial margin and default fund contribution being invoked in the event of failure of any settlement obligations. In addition, the fund contribution is allowed to be used to meet the residual loss in case of default by the other clearing member (the defaulting member).

Further, it may be noted that, CCIL periodically prescribes a list of securities eligible for contributions as collateral by members. Presently, all Central Government securities and Treasury bills are accepted as collateral by CCIL. The risk factors may undergo change in case the CCIL notifies securities other than Government of India securities as eligible for contribution as collateral.

Risks associated with investing in Government of India Securities

Market Liquidity risk with fixed rate Government of India Securities even though the Government of India Securities market is more liquid compared to other debt instruments, on certain occasions, there could be difficulties in transacting in the market due to extreme volatility leading to constriction in market volumes. Also, the liquidity of the Scheme may suffer in case the relevant guidelines issued by Reserve Bank of India undergo any adverse changes.

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 authorised 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:

A. 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.
B. The security comprising the segregated portfolio may not realise any value.
C. 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.
D. 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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