

# **Key Information Memorandum (KIM)**

## **Zerodha Silver ETF FoF**

*(An open ended fund of fund scheme investing in units of Zerodha Silver ETF)*

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#### **Zerodha Silver ETF FoF**

(An open ended fund of fund scheme investing in units of Zerodha Silver 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 silver)
To generate capital appreciation over long term.		
Investments in units of Zerodha Silver ETF which in turn invest in Physical Silver.		
<p><i>Investors should understand that their principal will be at <b>Very High Risk</b> and the riskometer of the benchmark will be <b>Very High</b>.</i></p>		

\*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)

<b>New Fund Offer opens on</b>	<b>June 23, 2025</b>
<b>New Fund Offer closes on</b>	<b>July 04, 2025</b>
<b>Scheme reopens on</b>	<b>Scheme will reopen for continuous Sale and Repurchase within 05 Business Days from the date of allotment of units under NFO</b>

<b>Name of Sponsor</b>	<b>Zerodha Broking Limited</b>
<b>Name of Mutual Fund</b>	<b>Zerodha Mutual Fund</b>
<b>Name of Asset Management Company</b>	<b>Zerodha Asset Management Private Limited</b>
<b>Name of Trustee Company</b>	<b>Zerodha Trustee Private Limited</b>
<b>Address</b>	<b>IndiQube Penta, New No. 51 (Old No. 14), Richmond Road, Bangalore - 560 025</b>
<b>Website</b>	<b><a href="http://www.zerodhafundhouse.com">www.zerodhafundhouse.com</a></b>

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](http://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 June 18, 2025.

<b>Investment Objective</b>	<p>The investment objective of the scheme is to seek capital appreciation by investing in units of Zerodha Silver ETF.</p> <p><b>There is no assurance or guarantee that the investment objective of the scheme would be achieved.</b></p>													
<b>Asset Allocation Pattern of the Scheme</b>	<p>Under the normal circumstances, the asset allocation (% of Net Assets) of Scheme's portfolio will be as follows:</p> <table border="1" data-bbox="435 1074 1443 1373"> <thead> <tr> <th data-bbox="435 1074 887 1186" rowspan="2"><b>Instruments</b></th> <th colspan="2" data-bbox="887 1074 1443 1186"><b>Indicative allocations (% of total assets)</b></th> </tr> <tr> <th data-bbox="887 1141 1157 1186"><b>Minimum</b></th> <th data-bbox="1157 1141 1443 1186"><b>Maximum</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="435 1186 887 1276">Units of Zerodha Silver ETF</td><td data-bbox="887 1186 1157 1276">95%</td><td data-bbox="1157 1186 1443 1276">100%</td></tr> <tr> <td data-bbox="435 1276 887 1373">Debt Securities and Money Market instruments</td><td data-bbox="887 1276 1157 1373">0%</td><td data-bbox="1157 1276 1443 1373">5%</td></tr> </tbody> </table>			<b>Instruments</b>	<b>Indicative allocations (% of total assets)</b>		<b>Minimum</b>	<b>Maximum</b>	Units of Zerodha Silver ETF	95%	100%	Debt Securities and Money Market instruments	0%	5%
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	<p>The cumulative gross exposure through Zerodha Silver 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.</p> <p>However, cash and cash equivalents* with residual maturity of less than 91 days may be treated as not creating any exposure.</p> <p><i>*SEBI vide letter dated November 03, 2021, has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities.</i></p> <p>Subject to the Regulations, the Scheme may engage in Securities Lending activities. The Scheme will participate in stock lending not more than 20% of total Net Assets of the Scheme and would limit its exposure with regard to stock lending for a single intermediary to the extent of 5% of the total net assets at the time of lending.</p>													

<p>The Scheme does not intend to undertake/ invest/ engage in the following:</p> <table border="1"> <thead> <tr> <th>S.No.</th><th>Type of Instrument</th><th>Percentage of exposure</th><th>Circular references</th></tr> </thead> <tbody> <tr> <td>1.</td><td>Securitized Debt</td><td></td><td rowspan="10">The Scheme will not invest/engage in these instruments.</td></tr> <tr> <td>2.</td><td>Short selling of securities</td><td></td></tr> <tr> <td>3.</td><td>Repo in corporate debt</td><td></td></tr> <tr> <td>4.</td><td>Unrated instruments (except TREPs/ Government Securities/ SDL / Repo in Government Securities)</td><td></td></tr> <tr> <td>5.</td><td>Foreign securities/ADR/GDR</td><td></td></tr> <tr> <td>6.</td><td>REITs and InvITs</td><td></td></tr> <tr> <td>7.</td><td>Instruments having Special Features as defined in SEBI Circular no. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021</td><td></td></tr> <tr> <td>8.</td><td>Credit Enhancements &amp; Structured Obligations</td><td></td></tr> <tr> <td>9.</td><td>Credit Default Swap transactions</td><td></td></tr> </tbody> </table>				S.No.	Type of Instrument	Percentage of exposure	Circular references	1.	Securitized Debt		The Scheme will not invest/engage in these instruments.	2.	Short selling of securities		3.	Repo in corporate debt		4.	Unrated instruments (except TREPs/ Government Securities/ SDL / Repo in Government Securities)		5.	Foreign securities/ADR/GDR		6.	REITs and InvITs		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	
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<p><b>Short term defensive consideration:</b></p> <p>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.</p> <p><b>Timelines for deployment of Funds mobilized in a New Fund Offer (NFO)</b></p>																																			

	<p>Pursuant to SEBI Circular dated February 27, 2025, the funds mobilized during the New Fund Offer (NFO) shall be deployed in accordance with the asset allocation pattern of the scheme within 30 business days from the date of allotment of units. In exceptional cases where the AMC is not able to deploy the funds within this period, shall provide an explanation, including details of the efforts made to deploy the funds, to the Investment Committee of the AMC.</p> <p>The Investment Committee may extend the deployment timeline by up to 30 business days and will provide recommendations to ensure timely deployment in the future.</p>
<b>Investment Strategy</b>	<p>The Fund shall be managed in line with the Investment Objective to generate returns that are linked to the returns generated by the underlying Silver Exchange Traded Fund (ETF). To realize this objective, the investment strategy of the Scheme would be to invest passively in Zerodha Silver ETF. The Scheme will remain invested in the underlying scheme regardless of the prevailing silver price or future outlook for this asset class.</p> <p><b>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.</b></p>
<b>Risk Profile of the scheme</b>	<p>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 - 18.</p> <p>For details on risk factors and risk mitigation measures, please refer to the Scheme Information Document (SID).</p>
<b>Plans and Options</b>	<p>The scheme offers only Direct Plan.</p> <p>The scheme offers only Growth Option.</p> <p>The Trustees/ AMC reserves the right to introduce further Plan/ Options as and when deemed fit, subject to the SEBI (MF) Regulations.</p> <p>For detailed disclosure on default plans and options, kindly refer to SAI.</p>
<b>Applicable NAV</b>	<p>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 the Scheme Information Document.</p>

<b>Minimum Application Amount/ Number of Units</b>	During NFO ₹ 500 and in multiples of 'any amount' thereafter.		
	During Continuous Purchase		
Purchase	Additional Purchase	Redemption	
₹ 100 and in multiples of 'any amount' thereafter	₹ 100 and in multiples of 'any amount' thereafter	The minimum redemption amount shall be 'any amount' or 'any number of units' as requested by the investor at the time of redemption.	
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.			
<b>Despatch of Repurchase (Redemption request)</b>	Redemption: Within three working days of the receipt of the redemption request.		
<b>Benchmark Index</b>	<p>Domestic Price of Physical Silver.</p> <p>The performance of the scheme will be benchmarked to the performance of the Domestic price of physical Silver.</p> <p>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.</p>		
<b>Dividend Policy</b>	Not Applicable		
<b>Name of the Fund Manager</b>	Mr. Shyam Agarwal and Mr. Kedarnath Mirajkar		
<b>Name of the Trustee Company</b>	Zerodha Trustee Private Limited		

<b>Performance of the scheme</b>	This scheme does not have any performance track record.												
<b>Additional Scheme Related Disclosures</b>	This scheme is a new scheme and does not have any portfolio holdings.												
<b>Expenses of the scheme</b> <b>(i) Load Structure</b>	<p><b>New Fund Offer Period</b></p> <p>Exit/ Redemption Load: <b>Nil.</b></p> <p><b>Continuous Offer Period</b></p> <p>Exit/ Redemption Load: <b>Nil.</b></p>												
<b>(ii) Recurring expenses</b>	<p>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.</p> <p>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. <a href="http://www.zerodhafundhouse.com">www.zerodhafundhouse.com</a></p> <table border="1" data-bbox="445 1124 1431 1933"> <thead> <tr> <th>Expense Head</th> <th>% of daily net assets (estimated) (p.a.)</th> </tr> </thead> <tbody> <tr> <td>Investment Management and Advisory Fees</td> <td rowspan="9"><b>Upto 1.00%</b></td> </tr> <tr> <td>Trustee Fees and Expenses<sup>1</sup></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> <tr> <td>Marketing and Selling Expenses</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 of providing account statements</td> </tr> </tbody> </table>	Expense Head	% of daily net assets (estimated) (p.a.)	Investment Management and Advisory Fees	<b>Upto 1.00%</b>	Trustee Fees and Expenses <sup>1</sup>	Audit Fees and Expenses	Custodian Fees and Expenses	RTA Fees and Expenses	Marketing and Selling Expenses	Cost related to Investor Communication	Cost of fund transfer from one location to another	Cost of providing account statements
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Cost of Statutory Advertisements	
Cost towards investor education and awareness <sup>2</sup>	
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 <sup>3</sup>	
GST on brokerage and transaction cost <sup>3</sup>	
Other Expenses	
Maximum Total Expense Ratio (TER) permissible under Regulation 52 (6) <sup>4</sup>	<b>Upto 1.00%</b>

*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.

*<sup>1</sup> 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.*

*<sup>2</sup> 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.*

	<p><i>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.</i></p> <p><sup>3</sup> Refer Point (3) below on GST on various expenses.</p> <p><sup>4</sup> 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.</p> <p><i>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.</i></p> <p><b>GST</b></p> <p>As per Para B of the SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, GST shall be charged as follows: -</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p>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.</p> <p>The mutual fund would update the current expense ratios on the website (<a href="http://www.zerodhafundhouse.com">www.zerodhafundhouse.com</a>) at least three working days prior to the effective 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”.</p>
<b>Tax Treatment for the Investors (Unitholders)</b>	<p>Investors are advised to refer to the paragraph on ‘<b>Taxation</b>’ in the ‘<b>Statement of Additional Information</b>’ 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.</p>

<b>Daily Net Asset Value (NAV) Publication</b>	<p>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.</p> <p>AMC shall disclose the NAV for each Business Day as below:</p> <ol style="list-style-type: none"> <li>1. On the website of the Fund/AMC - <b>10.00 A.M. on the next Business Day.</b></li> <li>2. On the website of Association of Mutual Funds in India (AMFI) - <b>10.00 A.M. on the next Business Day.</b></li> </ol>
<b>For Investor Grievances please contact</b>	<p>Investors can lodge any service request or complaints or enquire about NAVs, Unit Holdings, etc. by sending an email to <a href="mailto:support@zerodhafundhouse.com">support@zerodhafundhouse.com</a></p> <p>The investor service representatives may require personal information of the Investor for verification of his / her identity in order to protect confidentiality of information.</p> <p>The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.</p> <p>Any complaints should be addressed to the Investor Relations Officer.</p> <p>Address:            Investor Relation Officer            Zerodha Asset Management Private Limited            New No.51, IndiQube Penta, 2nd Floor, Richmond Road, Bangalore - 560 025            Email - <a href="mailto:iro@zerodhafundhouse.com">iro@zerodhafundhouse.com</a></p> <p>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.</p>

	<p>Investors may escalate to the Compliance Officer at <a href="mailto:compliance@zerodhafundhouse.com">compliance@zerodhafundhouse.com</a> and/ or CEO at <a href="mailto:ceo@zerodhafundhouse.com">ceo@zerodhafundhouse.com</a> if they do not receive a response/ not satisfied with the response from the Investor Relations Team.</p>	
<b>Unitholders' Information</b>	<p><b>ACCOUNT STATEMENTS DURING ONGOING OFFER PERIOD</b></p> <p>The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 05 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).</p> <p>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.</p> <p>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</p> <p>Please refer to SAI for details.</p> <p><b>Half Yearly Portfolio Statement</b></p> <p>Not Applicable , as this is a passive scheme.</p> <p><b>Annual Report</b></p> <p>Scheme Annual report in the format prescribed by SEBI, will be hosted on the website of the Fund viz. <a href="http://www.zerodhafundhouse.com">www.zerodhafundhouse.com</a> and on the website of Association of Mutual Funds in India (AMFI) viz. <a href="http://www.amfiindia.com">www.amfiindia.com</a> 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).</p>	

	<p>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).</p>
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## **Risk Factors**

### **Scheme Specific Risk Factors**

The scheme intends to invest in units of Zerodha Silver 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 be invested in units of Zerodha Silver 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 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 (Silver 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 Silver 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 silver 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 Silver/commodity

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

- Macro-economic factors – Expected rate of inflation versus actual may impact the price of silver. 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.
- Mining & Production – Lower production could have a positive effect on silver prices. Conversely excessive production capacities would lead to a downward movement in silver prices as the supply goes up.
- Currency exchange rates – A weakening dollar may act in favour of silver 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 Authorised Participant to arbitrage resulting into wider premium / discount to NAV. Any changes in the regulations relating to import and export of silver or silver jewellery (including customs duty, sales tax and any such other statutory levies) may affect the ability of the Scheme to buy / sell Silver 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 Silver in India is linked to the production of jewellery which tends to increase ahead of festive seasons. Any factor impacting the seasonal demand will impact the prices of Silver
- Market Liquidity: There can be no assurance that the requirements of the market necessary to maintain the listing of Silver ETF will continue to be met or will remain unchanged. Silver ETF may suffer liquidity risk from domestic as well as international market
- Demand-Supply mismatch – To the extent that demand for Silver exceeds the available supply at that time, Authorized Participants may not be able to readily acquire sufficient amounts of Silver necessary for the creation of a Basket. Market speculation in Silver could result in increased requests for the issuances. It is possible that Authorized Participants may be unable to acquire sufficient Silver 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 Silver market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to factors such as Silver's uses in jewelry, technology, and industrial applications, or cost and production levels in major Silver producing countries.
- Indirect Taxation: For the valuation of Silver 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.

#### Risks associated with handling, storing and safekeeping of physical silver:

All physical Silver procured must follow the guidelines as prescribed by SEBI. Risk arises when part or all of the Silver held by the Fund could be lost, stolen or damaged and access to Silver 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 Silver as specified under the guidelines issued by SEBI. Since this is paramount to the SEBI guidelines, the risk arises in violation of the same. Safekeeping of physical Silver requires appropriate vaulting space, confirming to the best global standards. The vaulting agents engaged by the custodian need to ensure the same.

#### Risks Related to the Custody of Silver:

The Custodian is responsible for the safekeeping of the silver bullion and also facilitates the transfer of silver bullion into and out of the vault. The Custodian is a clearer and approved weigher under the rules as defined under SEBI regulations. Accordingly, the Scheme is dependent on the Custodian to comply with the best practices and to implement satisfactory internal controls for its silver bullion custody operations in order to keep the silver bullion secure.

The AMC does not insure its silver (Underlying silver 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 silver held by the Custodian on behalf of the Trust.

The AMC ensures that the physical Silver held under the scheme is adequately insured by the Custodian through various periodic disclosures and independent vault visits and audits.

#### 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 Schemes 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.

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 silver into the Units of the Scheme may attract capital gain tax depending on acquisition cost and holding period.

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

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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