CANARA ROBECO

PORTFOLIO MANAGEMENT SERVICES

Disclosure Document

(As required under Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993)

- The Disclosure Document (hereinafter referred to as 'the Document') has been filed with the Securities & Exchange Board of India ('SEBI') along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.

- The purpose of the Document is to provide essential information about the Portfolio Management Services ('PMS') in a manner to assist and enable the investors in making informed decision for engaging a Portfolio Manager.

- The Document gives the necessary information about the Portfolio Manager required by an investor before investing, and hence, the investor may be advised to retain the document for future reference.

- The investor should carefully read the Disclosure Document prior to making a decision to avail of Portfolio Management Services. All the intermediaries, if any, referred in this Disclosure Document are registered with SEBI as on the date of the document.

- Details of the Principal Officer :

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Address : Canara Robeco Asset Management Company Ltd
4th Floor, Construction House
5, Walchand Hirachand Marg
Ballard Estate, Mumbai – 400001
Phone : 022 – 6658 5000
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- The Disclosure Document is dated 11th February, 2013

Portfolio Management Services
Canara Robeco Asset Management Company Ltd
SEBI Registration No.INP000003740

IMPORTANT DISCLOSURE

The Disclosure Document and its contents are for information only and do not constitute a distribution, endorsement, investment advice, offer to buy or sell or the solicitation of an offer to buy or sell any Product(s)/ Portfolio or any other securities or financial products/investment products mentioned in the Disclosure Document or an attempt to influence the opinion or behavior of the Clients. Any use of the information/ any investments and investment related decisions of the Clients are at their sole discretion & risk and the Portfolio Manager shall not be responsible/liable for the same in any manner whatsoever, to any person/entity. The investments may not be suited to all categories of Clients. As with any investment in any securities, the value of the portfolio under any Product(s)/ Portfolio can go up or down depending on the factors and forces affecting the capital market.

Clients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors for seeking independent legal, investment and tax advice as they believe necessary, before acting on any information in the Disclosure Document or any such other documents or before making any investments in such Product(s)/ Portfolio. Any use of the information contained in the Disclosure Document, any investments in the Product(s)/ Portfolio and any investment related decisions pertaining to such Product(s)/ Portfolio of the Clients are at their sole discretion & risk. There may be changes in the legal, tax and the regulatory regimes (including without limitation; political changes, government regulations, social instability, stock market fluctuations, diplomatic disputes, or other similar developments), which could adversely affect the Client's investments in the Product(s)/ Portfolio. Investments in the Product(s)/ Portfolio stand a risk of loss of capital and the Clients should be aware that they may lose all or any part of their investments in such Product(s)/ Portfolio.

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1. Disclaimer

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 as amended till date and filed with Securities and Exchange Board of India ("SEBI"). This document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the document.

2. Definitions

In this Disclosure Document, unless the context otherwise requires:

"**Agreement**" or "**Portfolio Management Services Agreement**" or "**PMS Agreement**" means the agreement executed between the Portfolio Manager and its Clients in terms of Regulation 14 and Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.

"**Client**" or "**Investor**" means any person who enters into an agreement for availing the Portfolio Management Services offered by the Portfolio Manager.

"**Discretionary Portfolio Manager**" means a portfolio manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investment or management of the portfolio of securities or the funds of the client, as the case may be.

"**Equity Related Instruments**" includes convertible bonds and debentures, convertible preference shares, equity warrants, equity derivatives, FCCBs, equity mutual funds and any other like instrument.

"**Financial year**" means the year starting from 1st April and ending on 31st March of the following year.

"**Fund Manager**" means the individual(s) appointed by the Portfolio Manager from time to time who manages, advises or directs or undertakes on behalf of the client (whether as a Discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be.

"**Funds**" means the monies managed by the Portfolio Manager on behalf of a Client pursuant to the PMS Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to the PMS Agreement, the proceeds of sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the portfolio manager.

"**Initial Corpus**" means the value of the funds and / or the market value of securities brought in by the Client at the time of subscribing to Portfolio Management Services.

"**Non-Discretionary Portfolio Management Services**" means a portfolio management services where a Portfolio Manager acts on the instructions received from the Client with regard to investment of funds of the Client under a contract relating to portfolio management and will exercise no discretion as to the investment or management of the portfolio of securities or the funds of the client, as the case may be.

"**Portfolio**" means Securities and/or funds managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Management Services Agreement and includes any Securities and/or funds mentioned in the account opening form, any further Securities and/or funds placed by the Client with the Portfolio Manager for being managed pursuant to the Portfolio Management Services Agreement, Securities or other realization of the portfolio acquired by the Portfolio Manager through investment of funds and bonus, dividends or other receipts and rights in respect of Securities forming part of the portfolio, so long as the same is managed by the Portfolio Manager under the Portfolio Management Services Agreement.

"**Portfolio Manager**" means Canara Robeco Asset Management Company Limited, a Company incorporated under the Companies Act, 1956 and registered with Securities and Exchange Board of India as a Portfolio Manager vide Registration Certificate No. PM/INP000003740 dated 28/06/2010, under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.

"**Principal Officer**" means an Officer of the Portfolio Manager who is responsible for the activities of portfolio management and has been designated as principal officer by the Portfolio Manager.

"**Regulations**" or "**SEBI Regulations**" means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended from time to time.

"**Rules**" means the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993, as amended from time to time.

"**SEBI**" or "**Board**" means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.

"**Securities**" means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Rules, Regulations or any other law for the time being in force.

"**Securities Lending**" means lending of the securities as per the Securities Lending Scheme, 1997 specified by SEBI, as amended from time to time.

"**Valuation Day**" means the day on which the portfolio is valued by the Portfolio Manager.

The terms and expressions not herein defined shall, where the interpretation and meaning have been assigned to them in terms of the SEBI Act, 1992 or the relevant regulations framed thereunder, Depositories Act, 1996, the Companies Act, 1956 and the General Clauses Act, 1897, have that interpretation and meaning.

3. Description

(i) History, Present Business and Background of the Portfolio Manager

Canara Robeco Asset Management Company Limited ("CRAMC") is a company incorporated on 2nd March, 1993 under the Companies Act, 1956 and having its Registered Office at 4th Floor, Construction House, 5, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001.

CRAMC was originally incorporated as Canbank Investment Management Services Ltd. under the Companies Act, 1956 on 2nd March, 1993 to manage the assets of Canbank Mutual Fund. Pursuant to the joint venture entered between Canara Bank and Robeco Groep N. V. on 26.09.2007, Robeco India Holding B. V. acquired 49% stake in CRAMC, while Canara Bank retained the remaining 51%. Consequently, the AMC was renamed as Canara Robeco Asset Management Company Ltd.

CRAMC holds Certificate of Registration No.PM/INP000003740 dated 28th June 2010 issued under SEBI (Portfolio Managers) Regulations, 1993 to act as a Portfolio Manager and the certificate of registration is valid till 26th June, 2013. In addition to acting as a Portfolio Manager, CRAMC is also acting as Asset Management Company to Canara Robeco Mutual Fund under an Investment Management Agreement dated 16th June, 1993. Canara Robeco Mutual Fund is registered with SEBI as a Mutual Fund under SEBI (Mutual Funds) Regulations, 1996 vide Registration No.MF-004/93/4 dated 19th October, 1993.

Presently, CRAMC is managing all the schemes of Canara Robeco Mutual Fund.

Further, CRAMC is also acting as the Sub-Investment Manager to Canbank (Offshore) Mutual Fund.

SEBI has issued No objection to CRAMC vide its letter dated June 29, 2011 for carrying offshore advisory services as a separate business activity. Currently, under offshore advisory business activity, CRAMC acts as Sub-advisor to Robeco Hong Kong ltd and for its clients

(ii) Promoters of the Portfolio Manager, Directors And their Background

Promoters/Sponsors

Canara Robeco Asset Management Limited is a joint venture between Canara Bank and Robeco Groep N.V., Netherlands.

Canara Bank: Canara Bank, having its Head Office at 112 J C Road, Bangalore 560 002 is a leading Public Sector Bank in India. Canara Bank was established in July 1906 in Karnataka, and was nationalised in 1969. Canara Bank has a presence of over 3650 branches across the country and 5 overseas branches and serves about 41 million clients through its network

Canara Bank has been rated AAA by CRISIL for their bond issuance program.

Robeco India Holding B.V. (100% subsidiary of Robeco Groep N.V).: Robeco Groep N.V.**,** having its Corporate Office at Coolsingel 120, 3011 Rotterdam, The Netherlands **is** established in 1929 and a leading asset management company providing asset management products and solutions to institutional and private clients worldwide. Robeco's assets under management were about Euro 150 billion as of December 2011. Robeco has investment presence in Rotterdam, Paris, Zurich, New York and Hong Kong, and sales presence in Australia, Japan, Korea, China, Bahrain, Belgium, Singapore, Germany, Spain, Switzerland, and USA amongst other countries.

Robeco is owned 100% by Rabobank, one of the strongest private banks in the world. Within the banking sector, Rabobank is one of the global leaders in terms of corporate social responsibility and sustainability.

Robeco holds a 100% interest in Corestone (Zug, Switzerland), Harbor Capital Advisors (Chicago, USA) and Transtrend (Rotterdam, the Netherlands). Robeco also holds a majority interest in SAM Group (Zurich, Switzerland) and a 40% interest in AIM (Rijmenam, Belgium).

Robeco Group made a net profit of Euro 134 Million in the calendar year 2011.

The share holding pattern of Canara Robeco Asset Management Company Ltd as on date is as under:

Canara Bank – 51%
Robeco India Holding B. V. – 49%

Directors of Portfolio Manager

Name	Age/Qualification	Brief Experience
Mr. M A K Prabhu (Associate Director)	55/ B.Com, CAIIB, PG Diploma in Management	Mr. M A K Prabhu is presently the General Manager, Treasury & International Operation wing of Canara Bank. Mr. Prabhu during his career has headed various functions within Canara Bank such as DGM of Patna Circle, Head of Treasury Mid-Office etc. He also had an overseas stint with Canara Bank as Chief Executive of Hong Kong Branch from December 2007 to October 2009.
Ms. Hester W. D. G. Borrie (Associate Director)	42/ Masters in Economics (Rotterdam)	She is the Managing Director for: - Director Global Distribution & Marketing - Robeco Nederland B.V - India Holding B.V. She is also the Head of Sales & Marketing
Mr. D. K. Kapila (Independent Director)	61/ B. Com (Hons), F.C.A.	Mr. Kapila is a fellow member of the Institute of Chartered Accountant and is the founder partner of M/s. Jain Kapila, Charatered Accountants.
Mr. V. H. Ramakrishnan (Independent Director)	70/ B. Sc., ACA, AICWA	Mr. Ramakrishnan is a Director of the KCP Ltd.
Mr. Shital Kumar Jain (Independent Director)	72/ MBA, Indiana University, U.S. A. Dean's List	Mr. Jain is a Director on the Board of R. S. Software India Ltd. & PNB Housing Finance Ltd.
Mr. S. Venkatachalam (Independent Director)	67/ B.Com, CA	Mr. S. Venkatachalam was associated with A F Ferguson & Co., Chartered Accountants as a Senior Consultant before joining Citigroup as Assistant Manager in Citibank NA India in 1974. During his 30 year career with Citigroup & Citibank NA India, Mr. Venkatachalam has worked in various capacities before retiring as Sr. Vice President in 2005. As Sr. Vice President, Mr. Venkatachalam, has served as the Head of Compliance, Tax, Regulatory & Legal issues responsible for all regulatory & compliance matters of Citigroup & Citibank NA India. Post retirement, he acted as an advisor to Fullerton India Credit Corporation Ltd., Mumbai.
Mr. Antony James Edwards (Associate Director)	44/ B.Sc. (Hon) - Business Information Technology (Central University of Lancashire) Finance programme (London Business School)	Mr. Edwards is presently the CEO - Asia Pacific with Robeco Hong Kong Limited. Mr. Edwards has 22 years of experience as a senior investment and capital markets participant. Mr. Edwards has worked in the Asian equity capital markets, based in Hong Kong and London, in various research, sales and ECM roles before joining AllianceBernstein as Head of Australian and

		New Zealand marketing, sales and client service (Sydney) and later as Senior Vice President, Senior Portfolio Manager (UK). Mr. Edwards was also associated with Neuberger Berman as the Managing Director and Head of Asia-Pac ex Japan.

(iii) Top 10 Group Companies/ Firms of the Portfolio Manager in India as on March 31, 2012:

1. Canara Bank
2. Canara Bank Securities Ltd.
3. Canbank Computer Services Ltd.
4. Canfin Homes Ltd.
5. Canbank Factors Ltd.
6. Canbank Venture Capital Fund Ltd.
7. Canbank Financial Services Ltd.
8. Canara HSBC oriental Bank of Commerce Life Insurance Company Limited
9. Rabo India Finance Ltd.
10. Rabo India Securities Pvt. Ltd.

(iv) Details of services being offered by the Portfolio Manager:

Advisory services:

The Portfolio Manager will provide advisory services, which shall be in the nature of investment advisory, which includes the responsibility of advising on the portfolio strategy and investment / divestment of individual securities in the Client's Portfolio in terms of the Agreement and within overall risk profile. In such case, the Portfolio Manager does not make any investment on behalf of the Client.

The Portfolio Manager shall be solely acting as an advisor in respect of Portfolio of the Client and shall not be responsible for the investment / divestment of securities and / or administrative activities of the Client's Portfolio.

Discretionary Services

Under these services, the Portfolio Manager will exercise sole and absolute discretion as to investment and/ or management of the portfolio of securities or the funds of the clients in terms of the PMS Agreement executed with each Client. The securities invested / disinvested by the Portfolio Manager for Client in the same Portfolio may differ from Client to Client. The decision of Portfolio Manager (with due care and in good faith) in deployment of the Clients' Portfolio is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of fraud, conflict of interest or gross negligence.

Non Discretionary Services

Under these services, the Portfolio Manager executes transactions in securities as per the discretion and instructions of the Client and in terms of the PMS Agreement. The Portfolio Manager's role is limited to providing research, investment advice and trade execution facility to the Client. The Portfolio Manager shall execute orders as per the mandate received from Client.

4. Penalties, Pending Litigations or Proceedings etc.

A. *All cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI Act, 1992 or Rules or Regulations made there under*:

By an Order dated 13th January, 2000, SEBI ordered adjudication for violation of Regulation 29(2) and 29(4) of SEBI (Mutual Funds) Regulations, 1996, pertaining to nondisclosure of certain information in the Abridged Offer Document of Canpep-93 Scheme.

By order dated 10th November, 2000, the Adjudicating Officer levied a penalty of Rs.3 lacs which was upheld in appeal by the Securities Appellate Tribunal. In compliance thereof, CRAMC paid the penalty of Rs.3 lacs on 3rd May, 2001.

Save and except the above, neither SEBI nor any other Regulatory body has awarded any penalty under SEBI Act or Regulations and there is no enquiry or adjudication proceeding/s, that are in progress against the Sponsor/promoter or any company associated with the Sponsor in any capacity including the Board of Trustees of Canara Robeco Mutual Fund or CRAMC, any of the Directors or key personnel of CRAMC under the SEBI Act or any other Regulations. In addition, no penalties have been awarded for any economic offences and violation of securities laws.

B. *The nature of penalty / direction*:

As described above.

C. *Penalties imposed for any economic offence and/or for violation of any securities laws:*

There are no penalties imposed on the Portfolio Manager for any economic offence and / or for violation of any securities laws.

D. *Any pending material litigation/legal proceedings against the portfolio manager /key personnel with separate disclosure regarding pending criminal cases, if any*:

Following 2 cases were filed against the CRAMC:

1. Suit No.3485/97 has been filed by Shrenik K. Jhaveri, Stock Broker before Mumbai High Court for a total claim of Rs.60,41,79,981/- together with further interest @ 24% p.a. in respect of certain payments/shares alleged to be due to him from Canbank Mutual Fund on account of the transactions entered by him with the Fund prior to formation of AMC ;

2. Writ Petition No.2087/99 has been filed by M/s Peerless General Finance corporation before the Kolkata High Court seeking a direction to pay a return of three times their original investment in 2,29,31,900 Cantriple units and also for an order of injunction restraining the Respondents from converting Cantriple scheme into an open ended scheme. No interim reliefs as sought for by the petitioner have been granted by the court and the case is pending for final adjudication.

   Both the cases have been filed in respect of the claims purported to be due from Canbank Mutual Fund. Therefore, the possibility of CRAMC suffering a decree is remote.

E. *Any deficiency in the systems and operations of the portfolio manager observed by SEBI or any regulatory agency:*

There has been no deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency.

F. *Any enquiry/adjudication proceedings initiated by SEBI against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the SEBI Act, 1992 or Rules or Regulations made there under:*

There is no enquiry/ adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employees, under the Act or Rules or Regulations made thereunder**.**

The above information has been disclosed in good faith as per the information available to the Portfolio Manager.

5. Services Offered

(i) The Portfolio Manager offers the following services under its Portfolio Management Services:

- ✓ Advisory services
- ✓ Discretionary portfolio services
- ✓ Non-discretionary portfolio services

As on date the portfolio manager is not offering any specific portfolios under its discretionary portfolio services. However, the Portfolio Manager under its Discretionary Portfolio Management Services intends to design the portfolios with different investment objectives and policies to cater to the requirements of Clients. The Portfolio Manager shall deploy the Securities and/ or funds of the Client in accordance with the investment objectives stated in the respective Portfolio selected by the Client.

(ii) The Client's funds may be invested in equity, debt, money market instruments and such other securities which will, inter-alia, include:

- ✓ Equity & Equity Related Instruments:
  1. Equity and Equity related instruments including convertible bonds, convertible debentures, warrants, convertible preference shares, etc.
  2. Equity linked instruments
  3. Equity Derivatives including Futures and Options

- ✓ Debt & Money Market Instruments:
  1. Certificate of Deposits (CDs)
  2. Fixed Deposits with Banks
  3. Commercial Papers (CPs)
  4. Treasury Bills (T-Bills)
  5. Collateralised Borrowing and Lending Obligations (CBLO)
  6. Government Securities
  7. Non Convertible Debentures as well as bonds or securities issued by companies / institutions promoted / owned by the Central or State Governments and statutory bodies
  8. Floating rate debt instruments
  9. Repo (Repurchase Agreement) or Reverse Repo
  10. Securitised Debt including Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS)
  11. Pass Through Certificate (PTC)
  12. Bills Rediscounting

13. Negotiable instruments
14. Debt derivative instruments including Interest Rate Swaps and Forward Rate Agreement

- ✓ Units of Schemes of mutual funds registered with SEBI including schemes of Canara Robeco Mutual Fund.

- ✓ The portfolio manager may lend the securities through an approved intermediary, for interest.

(iii) Minimum Investment Amount

The Client shall deposit with the Portfolio Manager, an initial corpus consisting of Securities and /or funds of an amount prescribed by Portfolio Manager for a specific Portfolio, subject to minimum amount as specified under SEBI Regulations, as amended from time to time. The Client may on one or more occasion(s) or on a continual basis, make further placement of Securities and / or funds under the service.

(iv) Policy for investment in Associates/ Group Companies of the Portfolio Manager:

Portfolio Manager will before investing in the securities of its associate / group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio. The investments in associate / group companies at the time of investments may be upto 100% of Client's Portfolio. The investments in securities of the associate / group companies including in Schemes of Canara Robeco Mutual Fund would be within the overall framework of Regulations and in terms of PMS Agreement executed with the Client.

(v) Transactions with Associates/ Group Companies

The Portfolio manager may conduct its business with associate companies/ group companies on commercial terms and on arms length basis and to the extent permissible under the regulations. The Portfolio Manager may also utilise the services of Associate Companies/ Group Companies for activities like Depository Participant (DP/ Security broking / distribution, etc. relating to Portfolio Management Services on commercial terms and on arms length basis and to the extent permissible under the regulations.

6. Risk Factors:

A. Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS products/clients will be achieved.

B. Past performance of the Portfolio Manager does not indicate the future performance of the same Portfolio or performance of any other future portfolio(s) of the Portfolio Manager.

C. Investment decisions made by the Portfolio Manager may not always be profitable.

D. Prospective investors should review / study this Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.

E. The tax benefits described in this Disclosure Document are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the Portfolio Manager regarding the law and practice in force in India and the investors should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Portfolio will endure indefinitely. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own professional tax advisor.

F. The investments made are subject to external risks such as War, natural calamities, policy changes of Local / International Markets which affects stock markets.

G. Any policy change / technology change / obsolescence of technology would affect the investments made in a particular industry.

H. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.

I. The Portfolio Manager does not offer any guarantee / assured returns.

J. Risk arising from the investment objective, investment strategy and asset allocation are as follows:

i. Risk associated with Equity and Equity Related Securities:

- ✓ Equity and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended securities purchases, due to settlement problems, could cause the portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the portfolio would result at times, in potential losses to the client, should there be a subsequent decline in the value of securities held in the portfolio. Also, the value of the portfolio investments may be affected by interest rates, currency exchange rates, changes in law / policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual Securities, a specific sector or all sectors.

- ✓ Investments in equity and equity related securities involve a degree of risk and the clients should not invest in the equity portfolio unless they can afford to take the risk of losing their investment.

- ✓ Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options. The portfolio manager may choose to invest in unlisted securities that offer attractive yields within the regulatory limit. This may however increase the risk of the portfolio. Additionally, the liquidity and valuation of the portfolio due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

ii. Risk associated with Fixed Income and Money Market Securities:

Interest - Rate Risk: Fixed income securities such as government bonds, corporate bonds, and money market instruments and derivatives 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.

Re - investment Risk: Investments in fixed income securities carry re-investment 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. In the life 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.

Liquidity Risk: The liquidity of a bond may change, depending on market conditions leading to changes in the liquidity premium attached to the price of the bond. At the time of selling the security, the security can become illiquid, leading to loss in value of the portfolio.

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.

Liquidity Risk on account of unlisted securities: The liquidity and valuation of the portfolio investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment. The unlisted security can go down in value before the divestment date and selling of these securities before the divestment date can lead to losses in the portfolio.

Settlement Risk: Fixed income securities run the risk of settlement which can adversely affect the ability of the Portfolio Manager to swiftly execute trading strategies which can lead to adverse movements in value of the portfolio.

iii. Risks associated with Investing in Securitised Debt:

The Portfolio Manager may invest in domestic securitized debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). ABS are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. MBS are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties.

At present in Indian market, following types of loans are securitized:

1. Auto Loans (cars / commercial vehicles / two wheelers)

2. Residential Mortgages or Housing Loans
3. Consumer Durable Loans
4. Personal Loans
5. Corporate Loans

In terms of specific risks attached to securitization, each asset class would have different underlying risks. Residential Mortgages generally have lower default rates than other asset classes, but repossession becomes difficult. On the other hand, repossession and subsequent recovery of commercial vehicles and other auto assets is fairly easier and better compared to mortgages. Asset classes like personal loans, credit card receivables are unsecured and in an economic downturn may witness higher default. A corporate loan receivable, depends upon the nature of the underlying security for the loan or the nature of the receivable and the risks correspondingly fluctuate.

The rating agencies define margins, over collateralization and guarantees to bring risk in line with similar AAA rated securities. The factors typically analyzed for any pool are as follows

a) **Assets securitized and Size of the loan:** This indicates the kind of assets financed with the loan and the average ticket size of the loan. A very low ticket size might mean more costs in originating and servicing of the assets.
b) **Diversification:** Diversification across geographical boundaries and ticket sizes might result in lower delinquency.
c) **Loan to Value Ratio:** Indicates how much % value of the asset is financed by borrower's own equity. The lower this value the better it is. This suggests that where the borrowers own contribution of the asset cost is high; the chances of default are lower.
d) **Average seasoning of the pool:** This indicates whether borrowers have already displayed repayment discipline. The higher the number, the more superior it is. The other main risks pertaining to Securitised debt are as follows:

   Prepayment Risk: This arises when the borrower pays off the loan sooner than expected. When interest rates decline, borrowers tend to pay off high interest loans with money borrowed at a lower interest rate, which shortens the average maturity of ABSs. However, there is some prepayment risk even if interest rates rise, such as when an owner pays off a mortgage when the house is sold or an auto loan is paid off when the car is sold.

   Reinvestment Risk: Since prepayment risk increases when interest rates decline, this also introduces reinvestment risk, which is the risk that the principal can only be reinvested at a lower rate.

iv. Risks associated with Investing in Derivatives:

The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the client. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. 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. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

v. Risks associated with Securities Lending:

As with other modes of extensions of credit, there are risks inherent to 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 entered into between the lender of securities i.e. the Portfolio Manager and the approved intermediary. Such failure can result in the possible loss of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Portfolio Manager may not be able to sell such lent securities and this can lead to temporary illiquidity.

vi. Risks associated with investments in Mutual Funds:

The Portfolio Manager may invest in schemes of Mutual Funds. Hence scheme specific risk factors of each such underlying scheme will be applicable to the portfolios.

vii. Structured Products / Capital Protection Portfolios:

The Portfolio Manager may invest in securities linked to index(s) and/ or undertaking stocks and this could result in negligible returns or no returns over the entire tenor or part thereof of the Portfolio. Further, at any time during the tenor of the Portfolio, value of the Portfolio may be substantially less than the actual value of the Portfolio at the end of tenor. Further, the Portfolio and the return and/ or maturity proceeds of the Portfolio thereon, are not guaranteed or insured in any manner by any entity. In case of occurrence of any event caused by a Force Majeure, the Portfolio may be liquidated at a date much before the tenor of the Portfolio at a fair value.

K. The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry.

L. The Portfolio Manager has not offered Portfolio Management Services in the past. However, the Portfolio Manager has fund management experience as Investment Manager to Canara Robeco Mutual Fund.

7. Client Representation:

The Portfolio Manager is yet to commence PMS activity. Hence, no representation is made under this section.

8. Financial Performance of the Portfolio Manager:

Based on the audited financial statements, the financial performance of the Portfolio Manager, acting in its capacity as the Investment Manager to the Schemes of Canara Robeco Mutual Fund, is as follows:

			(Rs In Thousands)
Particulars	**Financial Year Ended March 31, 2012**	**Financial Year Ended March 31, 2011**	**Financial Year Ended March 31, 2010**
Total Income	426,191	470,038	381,618
Profit/(Loss) Before Tax	46,372	86,376	74,455
Profit/(Loss) After Tax	41,967	61,028	62,291
Net Worth	451,043	418,672	348,048
Earning Per Share (Rs.)	2.09	3.04	5.5
Dividend	-	-	-
Paid up equity share capital	201,044	201,044	201,044

9. Portfolio Management Performance of the Portfolio Manager:

The Portfolio Manager has been granted Registration Certificate No. PM/INP000003740 on 28.06.2010. As on date the portfolio manager is not offering any specific portfolios under its discretionary portfolio services or non-discretionary services to any of its client. So performance of portfolio manager is not capable of being indicated as on date.

10. Nature of Expenses:

The following are the broad types of costs and expenses chargeable to Clients availing the Portfolio Management Services. The exact quantum of the fees / expenses relating to each of the services shall be annexed to the Agreement executed between the Client and the Portfolio Manager. The expense charged may vary from Client to Client. The expenses incurred shall be directly debited on actual expense incurred basis to the Client's Portfolio as and when the same becomes due for payment.

(I) Portfolio Management Fees:

The fees relate to portfolio management services offered to the Clients. The fees may be in the form of a percentage of the assets under management or linked to portfolio returns achieved or a combination of both.

(II) Upfront Fee / Withdrawal Fee:

The Portfolio Manager may also charge upfront (entry) fee at the time of subscription and premature exit fees / withdrawal fees at time of redemption of the portfolio by Client.

(III) Other Expenses:

Apart from Portfolio Management Fees, the following are the general costs and expenses to be borne by the Client availing the Portfolio Management Services of the Portfolio Manager on actual basis.

(i) Custodian / Depository fees:

The charges relate to opening and operation of depository accounts, custody and transfer charges for securities, dematerialization and rematerialization and other charges in connection with the operation and management of the depository accounts.

(ii) Registrar and transfer agent fees:
Charges payable to registrars and transfer agents in connection with transfer of securities including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges and other related charges .

Similarly, charges payable to registrars and transfer agents in connection with services such as collection of applications together with payments from clients, redemption of investments, maintenance of client accounts, preparation & mailing statements of accounts and other client reports, responding to enquiries made by clients etc.,

(iii) Brokerage and transaction costs:
The brokerage charges and other charges like service tax, stamp duty, transaction costs including bank charges, turnover tax, securities transaction tax or any other tax levied by statutory authorities on the purchase and sale of securities and entry or exit loads (if any) on units of Mutual Funds.

(iv) Securities lending related expenses:
The charges pertaining to lending of securities and costs associated with transfers of securities connected with the lending operations would be recovered.

(v) Certification and professional charges:
Charges payable for out sourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarizations, certifications, attestations required by bankers or regulatory authorities including legal fees etc would be recovered.

(vi) Services related expenses:
Charges in connection with day to day operations like courier expenses, stamp duty, service tax, postal, telegraphic any other out of pocket expenses as may be incurred by the portfolio manager would be recovered.

(**vii) Any other incidental and ancillary charges**:
All incidental and ancillary expenses not covered above but incurred by the Portfolio Manager on behalf of the Client for Portfolio Management and expenses incurred by the Portfolio Manager in terms of the Agreement shall be charged to the Client.

An indicative table of the charges that may be levied by the Portfolio Manager is given hereunder:

FEE STRUCTURE		
S. No	**Nature of Fees**	**Fees %**
1.	**Upfront Fee**	2.00 % of the Initial Corpus
2.	**Fixed Management Fee** Assets Under Management Rs.10 lacs to < Rs.100 lacs Rs.100 lacs to < Rs.500 lacs Rs.500 lacs & Above	 Per Annum 2.00 % 1.50 % 1.00 % The above fee will be charged on the daily average market value of the Portfolio.

3.	**Performance Based Management Fee**	20% profit sharing on High Watermarking Basis (see below for illustration)
4.	**Custodian Fees**	Per Annum 0.25% of the daily average market value of the Assets
5.	**Depository Charges**	As applicable
6.	**Exit Load** Exit between 0 months – 12 months Exit after 12 months	 2.00 % on the amount of withdrawal Nil
7.	**Registrar & Transfer Fees**	As applicable
8.	**Service Tax, Security Transaction Tax & other Statutory levies**	As applicable
9.	**Brokerage**	As applicable
10.	**Out of pocket & other incidental expenses**	At actuals

The above stated fee and the charges will be debited to the Client's Portfolio on a quarterly basis.

The actual fees charged by the Portfolio Manager for each Client shall be determined separately and the fees may vary from Client to Client. Further, the fees chargeable for new portfolios introduced by the Portfolio Manager from time to time shall be given separately. Service tax and statutory levies would be levied separately as per the prevailing rates from time to time.

CANARA ROBECO

Illustration on Fees & Charges

The computation given below is for illustrative purposes only

Assumption of the Portfolio Manager for illustration:

A. Size of sample portfolio : Rs.100 lacs
B. Period : One Year
C. Hurdle Rate : 10% of the amount invested
D. Brokerage/ DP Charges/ Custodian/ R&T Charges: Weighted average of such charges (as a percentage of assets under management) levied in the past year/ in case of new portfolio - indicative charges as a percentage of assets under management (e.g. 2%)
E. Upfront Fee (e.g. 2%)
F. Management Fee (e.g. 2%)
G. Performance Fee (e.g. 20% of profits over hurdle rate)
H. Exit Fee (0% upto 12 months)
I. Service Tax, Security Transaction Tax & other Statutory levies (e.g. 0.5%)
J. The frequency of calculating all fees is annual.

Charges on Portfolio performance: Gain of 20%

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	
Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Add: Profits on investment during the year @20% on AUM	19,60,000.00	
Gross value of the portfolio at the end of the year		1,17,60,000.00
Less: Brokerage/ DP Charges/ Custodian/ R&T Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee (e.g.20% of 9,80,000)	1,96,000.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g. 0.5% of 98,00,000)	49,000.00	
Total charges during the year		6,37,000.00
Net Value of the portfolio at the end of the year		1,11,23,000.00
% of change over capital contributed		11.23%

Calculation of Performance Fee for the above:

S. No	Nature of Fees	Amount in Rs.
1.	Profit for the year	19,60,000.00
2.	Less : Minimum profit level (Hurdle Rate@10% on Rs.98,00,000.00)	9,80,000.00
3.	Amount on which Profit Sharing Fees to be calculated (1 - 2)	9,80,000.00
4.	Performance Fee (@20% of C)	1,96,000

Charges on Portfolio performance: Loss of 20%

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	

Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Less : Loss on investment during the year @20% on AUM	19,60,000.00	
Gross value of the portfolio at the end of the year		78,40,000.00
Less: Brokerage/ DP Charges/ Custodian Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee, if any	0.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g.0.5% of 98,00,000)	49,000.00	
Total charges during the year		4,41,000.00
Net Value of the portfolio at the end of the year		73,99,000.00
% of change over capital contributed		(24.5%)

Charges on Portfolio performance : No Change

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	
Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Add : Profit/Loss on investment during the year @0% on AUM	0.00	
Gross value of the portfolio at the end of the year		98,00,000.00
Less: Brokerage/ DP Charges/ Custodian Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee, if any	0.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g.0.5% of 98,00,000)	49,000.00	
Total charges during the year		4,41,000.00
Net Value of the portfolio at the end of the year		93,59,000.00
% of change over capital contributed		(4.5%)

11. Taxation

Tax Implications for Clients

The information set out below outlines the tax implications based on relevant provisions of the Indian Income-tax Act, 1961 ("the Act") as on date.

A. General

In view of the individual nature of tax consequences on the income, capital gains or otherwise, arising from investments, each Client is advised to consult / his / her / its tax advisor with respect to the specific tax consequences to him/ her / it of participation in the portfolio management services.

The Portfolio Manager shall not be responsible for assisting in or completing the fulfillment of the client's tax obligations.

B. Tax deduction at source

Tax is required to be deducted at source for non-residents by the authorised dealer. If required, tax will be withheld for non-residents. If any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard.

C. Advance tax installment obligations

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Income tax Act.

D. Securities Transaction Tax

Securities Transaction Tax ('STT") is applicable on transactions of purchase or sale of equity shares in a company or ETF or a derivative or units of Equity Oriented Funds entered into on a recognized stock exchange and sale of units of Equity Oriented Fund to the Mutual Fund.

The STT rates as applicable upto the Finance Act 2012, are given in the following table:

Taxable Securities Transaction	Rate	Payable by
Purchase of an equity share in a company or a unit of Equity oriented fund, where a) the transaction of such purchase is entered into in a recognized stock exchange; and b) the contract of the purchase of such share is settled by the actual delivery or transfer of such share.	0.1%	Buyer
Sale of an equity share in a company, or a unit of an Equity oriented fund, where a) the transaction of such sale Is entered into in a recognized stock exchange; and b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit.	0.1%	Seller
Sale of an equity share in a company, or a unit of an equity oriented fund, where a) the transaction of such sale is entered into in a recognized stock exchange; and b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit.	0.025%	Seller
Sale of an option in securities	0.017%	seller
Sale of Option in securities, where option is exercised of the Purchaser	0.125%	Buyer

Sale of futures in securities (w.e.f. 01.06.2008)	0.017%	Seller
Sale of unit of an equity oriented fund to the Mutual Seller Fund.	0.25%	Seller

E. Tax Implications to Different Categories of Investors

Income arising from purchase and sale of shares (for the sake of brevity, the term "shares" has been used below as an illustration but the same includes other types of securities) can give rise to business income or capital gains in the hands of the Client.

The issue of income characterization as above is essentially a question of fact and dependent on whether the shares are held as Business / Trading assets or on Capital Account. Based on judicial decisions, all of the following factors and principles need to be considered while determining the nature of assets as above:

- ✓ Motive for the purchase of shares.
- ✓ Frequency of transactions and the length of period of holding of the shares
- ✓ Treatment of the shares and profit or loss on their sale in the accounts of the assessees.
- ✓ Source of funds out of which the shares were acquired – borrowed or own.
- ✓ Existence of an object clause permitting trading in shares – relevant only in the case of corporate.
- ✓ Acquisition of the shares – from primary market or secondary market.
- ✓ Circumstances responsible for the sale of securities.
- ✓ Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously. Further, the background of the investor (Professional vs. a trader in shares) would also be a relevant factor in determining the nature of the shares.

Central Board of Direct Taxes has clarified that, it is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income. Central Board of Direct Taxes advised that no single principle would be decisive and the total effect of all the principles should be considered to determine whether, in a given case, the shares are held by the assessee as investment or stock-in-trade.

In view of the above, the profits or gains arising from transaction in securities could be taxed either as "Profits or Gains of Business or Profession" under section 28 of the Act or as "Capital Gains" under section 45 of the Act.

F. Tax Implications where Transaction in Securities is in the nature of Investments

Where investment under the Portfolio Management Services is treated as investment, then the profit t or loss from transfer of securities shall be taxed as Capital Gains under section 45 of the Act.

Dividends referred to in section 115-O will be exempt under section 10(34). Dividend other than that referred to in section 115-O and interest income from securities will be taxed under the head Income from Other Sources.

Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Act, Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35).

G. Long Term Capital Gains

Exemption Applies

Under Section 10(38), Long Term Capital Gains on sale of Equity Shares in a company or units of Equity Oriented Fund are exempt from income tax provided such transactions are entered into a recognized stock exchange or such units are sold to the Mutual Fund and such transactions are chargeable to STT.

Exemption does not Apply

In respect of capital gains not exempted under section 10(38), the provisions for taxation of long-term capital gains for different categories of assesses are explained hereunder:

i. For individuals and HUF's

Long-term Capital Gains in respect of listed security and units of Mutual Fund held for a period of more than 12 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess, Capital gains would be computed after taking into Account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer.

In case, where taxable income as reduced by long term capital gains is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the fl at rate of 20% plus surcharge, as may be applicable and cess.

In the case of listed securities and units of Mutual Fund, an assessee will have an option to apply concessional rate of 10% plus surcharge as applicable and cess, provided the long term capital gains are computed without substituting indexed cost in place of cost of acquisition.

Long-term Capital Gains in respect of shares of an unlisted company held for a period for more than 12 months and any other non-listed security (other than units of Mutual Fund) held for a period of more than 36 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess.

ii. For Indian Companies

Long-term Capital Gains in respect of listed securities and units of Mutual Fund held for a period for more than 12 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess. Capital Gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer.

It is further provided that an assessee will have an option to apply concessional rate of 10% plus applicable surcharge and cess, provided the long term capital gains are computed without substituting indexed cost in place of cost of acquisition.

Long-tem Capital Gains in respect of shares of an unlisted company held for a period for more than 12 months and any other non-listed security (other than units of Mutual Fund) held for a period of more than 36 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess.

iii. For Non-resident Indians

Under section 115E of the Act for non-resident Indians, income by way of longterm capital gains in respect of specified assets purchased in foreign currency as defined under section 115C (which includes shares, debentures, deposits in an Indian Company and security issued by Central Government) is chargeable at the rate of 10% plus applicable surcharge and cess. Such long-term capital gains would be calculated without indexation of cost of acquisition.

H. Short Term Capital Gains

Section 111A of the Act provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund entered into a recognized stock exchange and on sale of units of Equity Oriented Fund to the Mutual Fund are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to STT. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. In respect of capital gains not chargeable under Section 111A, the provisions for taxation of short-term capital gains for different categories of assessees are explained hereunder:

Short Term Capital Gains in respect of shares of a company, units of Mutual Fund and any other listed securities held for a period of not more than 12 months and unlisted securities (other than shares of a company and units of Mutual Fund) held for a period of not more than 36 months is added to the total income. Total income including short-term capital gains is chargeable to tax as per the relevant slab rates.

I. Profits and Gains of Business or Profession

i. If the investment under the Portfolio Management Services is regarded as "Business / Trading Asset" then the gain / loss arising there from is likely to be taxed as income from business.

ii. Dividend from securities referred to in section 115-O, will be exempt under section 10(34) of the Act. Dividends other than that referred to in section 115-O and interest income will be taxable as Income from Other Sources.

   Income from units of Mutual Funds specified under clause 10(23D) is exempt from tax under section 10(35) of the Act. Further, it has been clarified that income arising from transfer of units of Mutual Fund shall not be exempt under section 10(35).

iii. As per section 40(a) (ib) of the Act any sum paid on account of STT will not be allowed as deduction in computing the income under the head "Profit and gains of business or profession" This provision was applicable upto Assessment Year 2008-09. w.e.f. 1.04.2009 the said clause has been deleted. From the assessment year 2009-10, where income referred to above is treated as Business Income, the person is eligible for deduction u/s 36(1)(xv), for the amount of STT paid.

iv. Section 88E of the Act gives rebate in respect of STT and provides that persons having business income arising from taxable securities transactions shall be entitled to a deduction from the amount of Income tax on such income of an amount equal to the STT paid by him in respect of such transactions entered in the course of his business. However, this rebate available under section 88 E of the Income Tax Act, 1961 was discontinued w.e.f April 01, 2009. Section 36 of Income Tax Act is amended so as to allow STT paid by assessee trader as deductible expenditure from business income w.e.f April 01, 2009.

v. Currently the maximum tax rates applicable to different categories of assessees are as follows:

Resident Individuals & HUF	30% and cess
Partnership Firms	30% and cess
Indian Companies	30% plus surcharge (for total income above Rs.1 crore) and cess
Foreign Companies	40% plus surcharge (for total income above Rs. 1 crore) and cess

vi. Slab wise tax details as presently applicable is as follows:

Particulars	Threshold Limit for Surcharge	Tax Rates	
		Without Surcharge	With Surcharge
Individuals, HUF, AOP & BOI	N.A.		
Up to Rs. 2,00,000		Nil	N.A.
Up to Rs. 2,00,001 - Rs. 2,50,000*		Nil	N.A.
Up to Rs. 2,50,001 - Rs. 5,00,000**		10.300%	N.A.
Up to Rs. 2,00,001 - Rs. 5,00,000		10.300%	N.A.
Up to Rs. 5,00,001 - Rs. 10,00,000		20.600%	N.A.
Rs. 10,00,000 onwards		30.900%	N.A.

*"NIL" Tax Rate in case assessee is resident individuals of the age of sixty years or more but less than eighty years.
**"NIL" Tax Rate in case assessee is resident individual who is of the age of eighty years or more.

Partnership Firm	N.A.	30.900%	N.A.
Domestic Company	1,00,00,000	30.900%	33.2175%
Company other than Domestic Company	1,00,00,000	41.200%	42.230%
Minimum Alternate Tax			
Domestic Company	1,00,00,000	18.540%	19.9305%
Company other than Domestic Company	1,00,00,000	18.540%	19.0035%
STCG on listed Security			
Individuals, HUF, AOP & BOI	N.A.	15.450%	N.A.
Partnership Firm	N.A.	15.450%	N.A.
Domestic Company	1,00,00,000	15.450%	16.60875%
Company other than Domestic Company	1,00,00,000	15.450%	15.83625%
LTCG on listed Security			
Individuals, HUF, AOP & BOI	N.A.	20.600%	N.A.
Partnership Firm	N.A.	20.600%	N.A.
Domestic Company	1,00,00,000	20.600%	22.145%
Company other than Domestic Company	1,00,00,000	20.600%	21.115%

In respect of Foreign Institutional Investors (FIIs) fulfilling conditions laid down under section 115AD of the Act, income (other than the dividend referred to in section 115-O) received in respect of securities other than units of mutual fund will be chargeable at the rate of 10% plus surcharge and cess, as may be applicable. Such capital gains would be computed without giving effect of indexation and foreign currency conversion.

J. Losses under the Head Business Income

In the case of loss under the head "Profits and Gains of Business of Profession', it can be set off against the income from any other source under the same head or income under any other head (except income from Salary) in the same assessment year.

Further, if such loss cannot be set off against any other head in the same assessment year, then it will be carried forward and shall be set off against the profits and gains of the business, within the period of eight subsequent assessment years.

According to section 94(7) of the Act, if any person buys or acquires shares within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of three months from such record date, then losses arising from such sale to the extent dividend or income received or receivable on such shares, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

According to section 94(7) of the Act, if any person buys or acquires shares within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

DIRECT TAXES CODE BILL, 2009

In order to consolidate and amend the law relating to all Direct Taxes, Direct Tax Code Bill is introduced in the Parliament. This Code is in the drafting stage. Based on the discussion paper issued by Government of India on Direct Taxes Code, 2009 we understand that, in addition to the consolidation, the purpose of the Code is to establish an economically efficient, effective and equitable Direct Tax System which will facilitate voluntary compliance and help increase Tax – GDP Ratio. Another objective is to reduce scope for disputes and minimize litigation. Before investment, client should take into account the proposed changes which would have tax implications. Appropriate advice relating to Taxation from the client's Tax Consultants / Advisors needs to be obtained before Investment The above statement of possible Direct Tax Benefits / consequences sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of securities. The statements made above are based on the tax laws in force and Chapter VII of the Finance (No. 2) Act, 2004, pertaining to Securities Transaction Tax as interpreted by the relevant taxation authorities as of date. Clients are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of securities.

12. Accounting Policies

A. The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under SEBI (Portfolio Managers) Regulations, 1993.
B. For every Client Portfolio, the Portfolio Manager shall keep and maintain proper books of accounts, records and documents, for the Client, on mercantile system of accounting, so as to explain its

transactions and to disclose at any point of time the financial position of the Client's Portfolio and Financial Statements and in particular give a true and fair view of the state of affairs.

C. Following Accounting Policies are proposed to be followed for the purpose of maintaining books of accounts & records of the Client.

1. Investments are stated at cost of acquisition by the Portfolio Manager.
2. Dividend income earned shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized on the date of receipt.
3. In respect of all interest-bearing investments, income shall be accrued on a day-to- day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
4. In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.
5. Transactions for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that year.
6. Bonus shares shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
7. Rights entitlement shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
8. The cost of investments acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the broker's bought note.
9. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
10. All other expenses payable by the Client shall be accrued as and when Liability is incurred.
11. Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange (NSE)/Bombay Stock Exchange (BSE)- (Principal Stock Exchange). If the securities are not traded on the NSE/BSE on the valuation day, the closing price of the security on the Bombay Stock Exchange/NSE will be used for valuation of securities as the case may be. In case of the securities are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of Mutual Funds shall be valued at the Net Asset Value of the previous day declared for the relevant Scheme on the date of the report.
12. Open positions in derivative transactions, will be marked to market on the valuation day.
13. Private equity/Pre IPO placements will be valued at cost or at a last deal publicly available price at which company has placed shares to other investors till it is listed.
14. Unrealised gain/losses are the differences, between the current market value/ Net Asset Value and the historical cost of the securities.
15. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
16. Securities brought in or withdrawn by the Client shall be valued at the closing price of the Security at NSE. If closing price on NSE is not available, BSE price would be considered.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However such changes would be in conformity with the Regulations.

13. Investor Services

(i) Contact Information

Name, address and telephone number of the Investor Relation Officer who shall attend to the Investor queries and complaints:

Name : Mr. M Paparao
Address : Canara Robeco Asset Management Company Ltd.
Construction House, 4th Floor, 5, Walchand Hirachand Marg,
Ballard Estate, Mumbai 400 001

Telephone : 022 – 6658 5000
Fax : 022 – 6658 5012/13
Email : m.paparao@canararobeco.com

The officer mentioned above will ensure prompt investor services. The PortfolioManager will ensure that this official is vested with necessary authority, independence and the means to handle investor complaints.

(ii) Grievance Redressal and Dispute Settlement Mechanism

The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the investor remains dissatisfied with the remedies offered or the action of the portfolio manager, the investor and the Portfolio Manager shall abide by the following mechanisms:-

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with the provision of The Arbitration and Conciliation Act, 1996 or any statutory requirement, modification or re-enactment thereof for the time being in force. Such arbitration proceedings shall be held at Mumbai or such other place as the portfolio manager thinks fit.

CANARA ROBECO

DECLARATION BY CLIENT

Date:

Canara Robeco Asset Management Company Ltd.
Address: Construction House, 4th Floor,
5, Walchand Hirachand Marg,
Ballard Estate, Mumbai 400 001.

Dear Sir,

Sub: Disclosure Document for the Portfolio Management Services of Canara Robeco Asset Management Company Ltd.

With reference to the above I/we confirm the receipt of the Disclosure Document dated 11th August, 2012 for the Portfolio Management Services of Canara Robeco Asset Management Company Ltd.

Thanking You,

Yours Truly,

Signature of Client:

Name & Address of Client:

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……………………………….
……………………………….
……………………………….

CONTACT:

Canara Robeco Asset Management Company Ltd.(PMS division)
Construction House, 4th Floor, 5, Walchand Hirachand Marg,
Ballard Estate, Mumbai 400 001
T +91 22 66585000 F +91 22 6658 5012
Toll free No.: 1800-209-2726
Website: www.canararobeco.com