

## **DISCLOSURE DOCUMENT**

(As per the requirement of Fifth Schedule of Regulation 14 of Securities and Exchange Board of India (Portfolio Managers) Regulation 1993)

- i) The Disclosure Document has been filed with the Securities & Exchange Board of India along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.
- ii) 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 Motilal Oswal Asset Management Company Ltd. as a Portfolio Manager.
- iii) The Disclosure Document contains 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.
- iv) This Document supersedes the Disclosure Document dated September 14, 2018 filed with SEBI.
- v) The following are the Details of the Portfolio Manager:

|                                      |  |
|--------------------------------------|--|
| <b>Name of the Portfolio Manager</b> | Motilal Oswal Asset Management Company Limited   |
| <b>SEBI Registration Number</b>      | INP000000670   |
| <b>Registered Office Address</b>     | 10 <sup>th</sup> Floor, Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025 |
| <b>Phone</b>                         | 022 3089 4263  |
| <b>Fax</b>                           | 022 3846 6884  |
| <b>Website</b>                       | <a href="http://www.motilaloswalmf.com">www.motilaloswalmf.com</a>   |

- vi) The name, phone number, e-mail address of the Principal Officer so designated by the Portfolio Manager is:

|                                      |  |
|--------------------------------------|--|
| <b>Name of the Principal Officer</b> | Mr. Aashish P Somaiyaa   |
| <b>Phone</b>                         | 91-22-39804278 / 91-2271934278   |
| <b>Email</b>                         | <a href="mailto:aashishps@motilaloswal.com">aashishps@motilaloswal.com</a>   |
| <b>Registered Office Address</b>     | 10 <sup>th</sup> Floor, Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400025 |

**Date: March 12, 2019**

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1) **Disclaimer clause:**

The particulars given in this Document have been prepared in accordance with the Securities Exchange Board of India (SEBI) (Portfolio Managers) Regulations, 1993 as amended till date and filed with 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. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person.

2) **Definitions:**

Unless the context or meaning thereof otherwise requires, the following expressions shall have the meaning assigned to them hereunder respectively: -

- (a) **“Act”** means the Securities and Exchange Board of India Act, 1992 (15 of 1992).
- (b) **“Agreement”** means agreement between Portfolio Manager and its Client and shall include all Schedules and Annexures attached thereto.
- (c) **“Application”** means the application made by the Client to the Portfolio Manager to place its funds and/or securities with the Portfolio Manager for Portfolio Management Services. Upon execution of the Agreement by the Portfolio Manager, the Application shall be deemed to form an integral part of the Agreement. Provided that in case of any conflict between the contents of the Application and the provisions of the Agreement, the provisions of the Agreement shall prevail.
- (d) **“Assets”** means (i) the Portfolio and/or (ii) the Funds.
- (e) **“Body Corporate”** shall have the meaning assigned to it in or under clause (11) of section 2 of the Companies Act, 2013.
- (f) **“Bank Account”** means one or more accounts opened, maintained and operated by the Portfolio Manager with any of the Scheduled Commercial Banks in accordance with the agreement entered into with the Client.
- (g) **“Board”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992.
- (h) **“Client”** means the person who enters into an Agreement with the Portfolio Manager for managing its portfolio and /or funds.
- (i) **“Custodian”** means any person who carries on or proposes to carry on the business of providing custodial services in accordance with the regulations issued by SEBI from time to time.
- (j) **“Depository Account”** means one or more account or accounts opened, maintained and operated by the Portfolio Manager with any depository or depository participant registered

under the SEBI (Depositories and Participants) Regulations, 1996 in accordance with the agreement entered into with the Client.

- (k) **“Discretionary Portfolio Management Services”** means the portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the agreement, where under the Portfolio Manager exercises any degree of discretion in the investments or management of assets of the Client.
- (l) **“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 investments or management of the portfolio of securities or the funds of the Client, as the case may be.
- (m) **“Document”** means this Disclosure Document.
- (n) **“Financial Year”** means the year starting from April 1 and ending on March 31 of the following year.
- (o) **“Funds”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to Portfolio Investment Management Agreement and includes the monies mentioned in the Application, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to Portfolio Investment Management Agreement, the proceeds of the 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.
- (p) **“Non-discretionary Portfolio Management Services”** means a portfolio management services under which the Portfolio Manager, subject to express prior instructions issued by the Client from time to time in writing, for an agreed fee structure and for a definite described period, invests in respect of the Client’s account in any type of security entirely at the Client’s risk and ensure that all benefits accrue to the Client’s Portfolio.
- (q) **“Parties”** means the Portfolio Manager and the Client; and **“Party”** shall be construed accordingly.
- (r) **“Person”** includes an individual, a Hindu Undivided Family, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.
- (s) **“Portfolio”** means the Securities managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Investment Management Agreement and includes any Securities mentioned in the Application, any further Securities placed by the Client with the Portfolio Manager for being managed pursuant to the Portfolio Investment Management Agreement, Securities acquired by the Portfolio Manager through investment of Funds and bonus and rights shares or otherwise in respect of Securities forming part of the Portfolio, so long as the same is managed by the Portfolio Manager.
- (t) **“Portfolio Manager”** shall have the same meaning as given in regulation 2(cb) of the SEBI (Portfolio Managers) Regulations, 1993 as amended from time to time.

- (u) **“Principal Officer”** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager.
- (v) **“Qualified Client”** means any Person (being over the age of 18 in the case of a natural person) (i) who is a fit and proper person, (ii) complies with know your client (KYC/CKYC) norms stipulated by the Investment Manager and SEBI, (iii) has not been convicted of any offence, (iv) has a sound financial standing and credit-worthiness, and (v) is willing to execute necessary documentation as stipulated by the Portfolio Manager and other than any Person, which cannot subscribe to the strategy without being in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances.
- (w) **“Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as may be amended from time to time.
- (x) **“Scheduled Commercial Bank”** means any bank included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).
- (y) **“SEBI”** means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the SEBI Act.
- (z) **“Securities”** includes: “Securities” as defined under the Securities Contracts (Regulation) Act, 1956 as amended from time to time and includes:
- (i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
  - (ii) derivative;
  - (iii) units or any other instrument issued by any collective investment scheme to the investors in such schemes;
  - (iv) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
  - (v) units or any other such instrument issued to the investors under any mutual fund scheme;
  - (vi) any certificate or instrument (by whatever named called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt;
  - (vii) Government securities;
  - (viii) such other instruments as may be declared by the Central Government to be securities;
  - (ix) rights or interest in securities;

Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Portfolio Management Services.

### 3) **Description:**

#### i) **History, Present Business and Background of the Portfolio Manager:**

Motilal Oswal Asset Management Company Ltd. (“MOAMC”) is a company incorporated under the Companies Act, 1956 on November 14, 2008, having its Registered Office at 10<sup>th</sup> Floor, Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi - 400025. MOAMC is a wholly owned subsidiary of Motilal Oswal Financial Services Ltd. (“MOFSL”) <sup>1</sup>.

<sup>1</sup>In order to simplify the holding structure Motilal Oswal Securities Limited (MOSL) has been merged with Motilal Oswal Financial Services Ltd (MOFSL) pursuant to the approval of scheme of amalgamation, whereby all the assets and liabilities of MOSL including its business and investments have been transferred to MOFSL w.e.f. August 21, 2018.

Motilal Oswal Securities Ltd. (One of the subsidiary of MOFSL which subsequently merged with MOFSL) was registered with SEBI as a Portfolio Manager vide registration no. INP000000670 under SEBI (Portfolio Managers) Regulations 1993. In order to consolidate all its asset management business under one entity, MOSL made an application to SEBI for transfer of Portfolio Management Services (PMS) business along with SEBI registration certificate to MOAMC. SEBI vide its letter having reference number IMD/DOF-I/SKS/10449/2010 dated June 30, 2010 granted its approval for transfer of PMS business from MOSL to MOAMC subject to compliance of the requirements specified by SEBI.

MOSL entered into an agreement with MOAMC for transferring its PMS business. Pursuant to the transfer, MOSL assigned to MOAMC all its rights and obligations under the Portfolio Investment Management Agreement executed with its Clients and other documents executed pursuant thereto and Power of Attorney (“POA”) conferred by Clients in favour of MOSL.

Thus, MOAMC is entitled to exercise all powers and functions conferred or contained in the POA, which were originally exercised or performed by MOSL. On confirmation to SEBI that MOAMC has complied with the requirements specified by SEBI in respect of transfer of PMS business, SEBI has endorsed the original certificate of registration of Portfolio Management Services in favour of MOAMC w.e.f. October 21, 2010. In this regard, MOAMC holds Certificate of Registration No. INP000000670 dated August 21, 2017 issued under SEBI (Portfolio Managers) Regulations, 1993 to act as a Portfolio Manager.

Motilal Oswal Wealth Management Ltd. (“MOWML”) was registered with SEBI as an Investment Manager, a Category III Alternative Investment Fund vide registration no. IN/AIF3/13-14/0044 under SEBI (Alternative Investment Funds) Regulations, 2012. In order to consolidate all its asset management business under one entity, MOWML had transferred its AIF business to MOAMC w.e.f. September 29, 2016 and the same was intimated to SEBI vide our letter dated October 5, 2016. Further MOAMC had obtained a No Objection Certificate from SEBI with respect to Investment management and advisory services to Alternative Investment Funds dated June 7, 2016. Hence, MOAMC act as an Investment Manager to Motilal Oswal Alternative Investment Trust (MOAIT), a Category III Alternative Investment Fund. MOAIT holds Certificate of Registration No. IN/AIF3/13-14/0044 dated April 10, 2013 issued under SEBI (Alternative Investment Funds) Regulations, 2012.

Further, MOAMC is also an Asset Management Company to Motilal Oswal Mutual Fund under an Investment Management Agreement dated May 21, 2009. Motilal Oswal Mutual Fund is registered with SEBI as a Mutual Fund under SEBI (Mutual Funds) Regulations, 1996 vide registration no. MF/063/09/04 dated December 29, 2009. Further, MOAMC has incorporated a wholly owned subsidiary in Mauritius which acts as an Investment Manager to the funds based in Mauritius. MOAMC has incorporated a wholly owned subsidiary in India which undertakes Portfolio Management and Investment Advisory Services to offshore clients

Apart from the above-mentioned activities, the AMC may undertake any business activities other than in the nature of management and advisory services provided to pooled assets including offshore funds, insurance funds, pension funds, provident funds, if any of such activities are not in conflict with the activities of the mutual fund subject to receipt of necessary regulatory approvals and approval of Trustees and by ensuring compliance with provisions of regulation 24(b) (i to viii). Provided further that the asset management company may, itself or through its subsidiaries, undertake portfolio management services and advisory services for other than broad based fund till further directions, as may be specified by the Board, subject to compliance with the following additional conditions:-

- i it satisfies the Board that key personnel of the asset management company, the system, back office, bank and securities accounts are segregated activity wise and there exist system to prohibit access to inside information of various activities;
- ii it meets with the capital adequacy requirements, if any, separately for each of such activities and obtain separate approval, if necessary under the relevant regulations.

Explanation:—For the purpose of this regulation, the term ‘broad based fund’ shall mean the fund which has at least twenty investors and no single investor account for more than twenty five percent of corpus of the fund.

### **Promoters of the Portfolio Manager, Directors and their background:**

#### **Promoter:**

Motilal Oswal Asset Management Company Ltd. is promoted by Motilal Oswal Financial Services Limited (“MOFSL”).

Motilal Oswal Financial Services Limited (“MOFSL”) is a public limited company listed on BSE and NSE. MOFSL was registered as a Systemically Important Non-Banking Finance Company registered with the Reserve Bank of India (“RBI”). However, it has made an application to RBI on April 27, 2018 for voluntary surrender of its Certificate of Registration (“CoR”).

Further, pursuant to the internal restructuring of the Motilal Oswal Group of Companies, the lending business of MOFSL has been transferred to Motilal Oswal Finvest Limited (erstwhile Motilal Oswal Capital Markets Limited), wholly owned subsidiary of the MOFSL on August 20, 2018. Pursuant to the Amalgamation of Motilal Oswal Securities Limited with Motilal Oswal Financial Services Limited being effective from August 21, 2018, MOFSL carries on the business of MOSL with effect from August 21, 2018. After receipt of SEBI approval on 05th February, 2019 on name change, MOFSL is now a SEBI registered Trading Member registered with BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX). MOFSL is now a SEBI registered Depository Participant

registered with Central Depository Services Ltd, (CDSL) and National Securities Depository Limited (NSDL). Hence, MOFSL will now execute transactions in capital markets/equity derivatives/commodity derivatives/ currency derivatives segments on behalf of its clients which include retail customers (including high net worth individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. Besides stock broking, it also offers a bouquet of financial products and services to its client base.

It is registered with the SEBI as Research Analyst and Investment Advisor and with various other bodies / agencies like IRDA, AMFI, CERSAI, KRA agencies (CVL, Dotex, NDML, CAMS and Karvy) etc. Further, MOFSL, along with its subsidiaries, offers a diversified range of financial products and services such as loan against shares, investment activities, private wealth management, broking and distribution, asset management business, housing finance, institutional equities, private equity and investment banking. The registered office of MOFSL is at Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai – 400025.

Further, MOFSL, along with its subsidiaries, offers a diversified range of financial products and services such as loan against shares, investment activities, private wealth management, broking and distribution, asset management business, housing finance, institutional equities, private equity and investment banking. The registered office of MOFSL is at Motilal Oswal Tower, Rahimtullah Sayani road, Opposite Parel ST Depot, Prabhadevi, Mumbai – 400025.

**Directors and their background:**

| Name                            | Qualification | Brief Experience   |
|---------------------------------|---------------|--|
| Mr. Raamdeo Agrawal<br>Director | B.Com and ACA | <p>Mr. Agrawal is an Associate Director of Motilal Oswal Asset Management Company Limited. He is a Co-founder and Joint Managing Director of Motilal Oswal Financial Services Ltd. Mr. Agrawal is the key driving force behind strong research capability as well as a renowned Value investor, and has also been instrumental in setting up the investment management philosophy of the Company.</p> <p>He is a member of the National Committee on Capital Markets of the Confederation of Indian Industry. He has been authoring the annual Motilal Oswal Wealth Creation Study since its inception in 1996. He has an extensive experience of more than 3 decades in Financial Service Sector.</p> <p>Mr. Agrawal has received the 'Rashtriya Samman Patra' awarded by the Government of India for being amongst the highest Income Tax payers in the country for a period of 5 years from FY95–FY99. He has also featured on 'Wizards of Dalal Street on CNBC TV 18'. In 1986, he wrote the book 'Corporate Numbers Game', along with co-author, Mr. Ram K Piparia.</p> |



|                                     |  |   |
|-------------------------------------|--|---|
| <p>Mr. Aashish Somaiyaa</p>         | <p>P B. E (Polymers) and MMS (Finance) from NMIMS, Mumbai.</p>   | <p>Mr. Somaiyaa is the Managing Director and CEO of Motilal Oswal Asset Management Company Limited. He is also the Principal Officer for the PMS business of the Company. Mr. Somaiyaa brings with him rich and varied experience - with more than 17 years in sales and distribution, channel management, product development and institutional sales from ICICI Prudential AMC and a brief stint at project management with Bharti AXA Investment Managers. His last assignment was with ICICI Prudential AMC, as Senior VP &amp; Head - Retail Business where he was responsible for sales, distribution and product development of Mutual Fund, PMS and Real Estate offerings through retail distribution, banking and private wealth management channels across India and UAE.</p> |
| <p>Mr. Ashok Jain<br/>Director</p>  | <p>B.Com, FCA and ACS</p>  | <p>Mr. Jain is an Independent Director of Motilal Oswal Asset Management Company Limited. He is the Whole-Time Director &amp; CFO of Gujarat Borosil Ltd. He has rich and varied experience of more than two decades in the field of Corporate Management, particularly finance etc.</p>  |
| <p>Mr. Abhaya Hota<br/>Director</p> | <p>MA (English Literature), CAAIB, Diploma in Social Welfare and Fellow of Indian Institute of Banking &amp; Finance</p> | <p>Mr. Hota is an Independent Director of Motilal Oswal Asset Management Company Limited. He has rich and varied experience of over 35 years in regulatory aspects, technical and Project Management. He has worked in the Reserve Bank of India as a central banker in the areas of operating payments System platforms and Payment System Policy for 27 years and was the founding Member, Managing Director &amp; CEO of National Payments Corporation of India for past 8 years. His area of expertise are building national level payments infrastructure – particularly Faster Payments and Card Payments, Financial Inclusion Projects and Payments Strategy &amp; Regulations.</p>  |
| <p>Ms. Rekha Shah<br/>Director</p>  | <p>Masters in Marketing Management from JBIMS (Jamanalal Bajaj Institute)</p>  | <p>Ms. Rekha Shah is the founder of Analyze N Control, which is actively involved in providing solutions w.r.t Process Automation, Compliance, Surveillance and AML Risk Management to the Broking Industry. She has done her Business Management from one of the leading Business Schools of India, JBIMS (Jamnalal Bajaj Institute of Management Studies). Further, she also holds a graduation degree from Narsee Monjee College of Commerce and Economics, University of Mumbai and possesses an enriched</p>   |

|  |  |  |
|--|--|--|
|  |  | experience of more than 18 years in Broking Industry. She has worked with various well known Indian business houses like Tata Group, Intermediaries such as Vadodara Stock Exchange, UTI Securities (erstwhile), Kotak Securities, JM Morgan Stanley (erstwhile), etc. and has also given training sessions. |
|--|--|--|

**ii) Group company information (i.e. information related to top 10 Group Companies / firms of the Portfolio Manager on turnover basis) (as per the audited financial statements for the year ended March 2018):**

1. Motilal Oswal Securities Limited (MOSL)
2. Motilal Oswal Asset Management Company Limited (MOAMC)
3. Aspire Home Finance Corporation Limited
4. Motilal Oswal Financial Services Ltd
5. Motilal Oswal Investment Advisors Limited (formerly known as Motilal Oswal Investment Advisors Pvt Ltd)
6. Motilal Oswal Wealth Management Limited (MOWML)
7. MOPE Investment Advisors Pvt Ltd
8. India Business Excellence Management Company (IBEMC)
9. Motilal Oswal Real Estate Investment Advisors II Private Limited (MORE II)
10. Motilal Oswal Commodities Broker Private Limited (MOCBPL)

**iii) Details of the services being offered:**

**a) Discretionary Services:**

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client. The Securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's fund's is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or at any time thereafter except on the ground of fraud, malafide, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Regulations, guidelines and notifications in force from time to time. Periodical statements in respect to Client's Portfolio shall be sent to the respective Client.

Based on the Client's profile, overall investment objective and other relevant factors, the Portfolio of the Clients are at present managed under one or more of the following Investment Strategies:

- 1) Value Strategy
- 2) Discover Value Strategy
- 3) Next Trillion Dollar Opportunity Strategy
- 4) Focused (Series V) – A Contra Strategy
- 5) Liquid Strategy

- 6) Structured Products Investments Strategy
- 7) India Opportunity Portfolio Strategy
- 8) PLUS strategy
- 9) Deep Value Portfolio
- 10) Motilal Oswal MOST Fund ETF Assets and Securities Portfolio Strategy (FEATS)
- 11) Motilal Oswal MOST Allocation Portfolio Strategy (MAPS)
- 12) Emergence Portfolio Strategy
- 13) Focused Opportunities Strategy
- 14) India Invest Opportunity Portfolio Strategy
- 15) Motilal Oswal Business Opportunities Strategy
- 16) India Invest Opportunity Portfolio Strategy V2
- 17) India Opportunity Portfolio Strategy - V2
- 18) Large Cap Growth Strategy
- 19) Dynamic Allocation Strategy
- 20) Motilal Oswal Allcap Growth Strategy
- 21) Motilal Oswal Multicap Opportunities Strategy
- 22) Motilal Oswal Mid and Smallcap Opportunities Strategy
- 23) Motilal Oswal Emerging Business Strategy
- 24) Motilal Oswal Focused Business Strategy

**b) Non - Discretionary Services:**

Under the Non-Discretionary Portfolio Management Services, the portfolio of the Client shall be managed in consultation with the Client. Under this service, the Assets will be managed as per express prior instructions issued by the Client from time to time. The Client will have complete discretion to decide on the investment (Stock Quantity and Price or amount). The Portfolio Manager inter alia manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk.

**c) Advisory Services:**

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Clients and agreed upon in the Client agreement. The Portfolio Manager will render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills. The same can be binding or non - binding in nature or in such terms as mentioned in the Client agreement. For such services, the Portfolio Manager charges the Client a fee for services rendered mentioned in the Client agreement. The advice may be either general or specific in nature and may pertain to a particular portfolio. Entry / exit timing, execution and settlement are solely the Client's responsibility.

4) **Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority:**

1. All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Regulations made there under relating to Portfolio Management Services.

**None**

2. The nature of the penalty/direction.

**None**

3. Penalties imposed for any economic offence and/or for violation of any securities laws relating to Portfolio Management Services.

**None**

4. Any pending material litigation/legal proceedings against the Portfolio Manager/key personnel with separate disclosure regarding pending criminal cases, if any.

**None**

5. Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency in relation to Portfolio Management Services for which action may have been taken or initiated.

**None**

6. Any enquiry/adjudication proceedings initiated by the Board 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 Act or Regulations made thereunder relating to Portfolio Management Services.

**Details as on February 28, 2019 are provided as an Annexure A.**

## 5) Services offered:

The Portfolio Manager manages the Assets of the Client using the following Strategies:

### a) **Value Strategy:**

**Fund Manager: Mr. Shrey Loonker**

**Benchmark: Nifty 50 Index**

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.

Features:

- Follows a value based stock selection strategy
- Investment Approach : “Buy & Hold”
- Investment Horizon: Medium to Long term
- Maximize post tax return due to Low Churn

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

### b) **Discover Value Strategy:**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: Nifty 50 Index**

The Strategy aims to deliver returns over a long term by investing in large-cap stocks across 6-8 sectors. The focus is to identify large unpopular businesses with dominant market share and potential for growth.

Features:

- Follows a value based stock selection strategy
- Investment Approach : Buying undervalued stocks and selling overvalued stocks irrespective of market behaviour while maintaining purchase price discipline
- Investment Horizon: Medium to Long term
- Follow a focused strategy construct
- Maintaining a low churn thereby enhancing the strategy returns

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

### c) **Next Trillion Dollar Opportunity Strategy**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: Nifty 500 Index**

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth. It aims to predominantly invest in Small and Mid-Cap stocks\* with a focus on identifying potential winners that would participate in successive phases of GDP growth.

*\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

Features:

- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Sectors and Companies which promise a higher than average growth
- Concentration on emerging Themes

**d) Focused (Series V) – A Contra Strategy**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: BSE – 200 Index**

The strategy aims to invest in fundamentally sound companies that can benefit from changes in a company’s valuation which reflects a significant change in the markets view of the company over a horizon of three years. The Strategy focuses on investing in stocks that can benefit from growth in earnings, re-rating of business or higher valuation of assets. Objective is to increase return rather than reduce risk for Investors.

Features:

- Follows the principle to pick best ideas rather than diversification
- Concentrated Strategy Structure of less than 10 stocks
- Investment Horizon: Medium to Long term
- Investment Approach: Follows a “Buy and hold” philosophy with low to medium churn

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**e) Liquid Strategy**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: NA**

To predominantly make investments in Liquid Mutual Funds, short-term debt funds, money market mutual funds, and other debt funds to facilitate investors to take Asset Allocation calls between Cash and Equity.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**f) Structured Products Investments Strategy**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: None**

The investment objective of the Portfolio Manager shall be preservation and growth of capital and at the same time endeavour to reduce the risk of capital loss. The Portfolio Manager may design and develop various series keeping in mind market conditions and may be customised for client’s specific need / profile.

Features:

- The Portfolio Manager will invest in Non-Convertible Debentures (NCDs) issued by Non-Banking Financial Companies.
- These Non-Convertible Debentures may have payoffs, which may be based on stand alone or combination of all or some of the financial instruments such as equity, debentures, derivative instruments, swaps, swaptions a basket of securities, options, indices,

commodities, debt issuances and/or foreign currencies, Secured Premium Notes, money market instruments, etc. to cater to specific Clients requirements.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**g) India Opportunity Portfolio Strategy**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty Small Cap 100 Index**

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices.

Features:

- Investment Approach: BUY & HOLD strategy
- Investment Horizon: Long Term
- Low to medium churn resulting in enhanced post-tax returns
- Basically for Investors keen to generate wealth by participating in India's growth story over a period of time.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**h) PLUS strategy**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty 500 Index**

The strategy aims to deliver superior returns by investing in less recognized and/or undervalued stocks which are part of the India growth opportunity. The strategy also aims to predominantly invest in Mid-cap stocks with potential to grow faster than nominal GDP growth and which are available at reasonable prices.

Features:

- Investment Approach: Fundamental stock selection and Buy & Hold philosophy
- Investment Philosophy : Value + GARP
- Investment Horizon: Medium to Long term

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**i) Deep Value Portfolio Strategy**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty Midcap 100 Index**

The strategy aims to invest in fundamentally sound companies with a view to capitalize on the difference between the market value and the intrinsic value of the business.

Features:

- Investment Strategy:
  - Out of favor, beaten-down large caps or quality midcaps growing at slower than their demonstrated potential

- Where price movements are decoupled from underlying fundamentals resulting from over-reaction to news-flow
  - Dominant business undergoing growth deceleration or a cyclical downturn.
  - Revenue slowdown due to direct/indirect impact of high interest rates and/or capex cycle (order flows) which can potentially reverse with rate cycle.
  - Profitability compression due to margin erosion from higher RM/forex impact.
  - Asset Valuation plays: Good quality businesses trading at discount to book or replacement value.
  - Valuation Parameters: Low P/E v/s long-term average/peers, high dividend yield.
- Investment Approach: Bottom up stock selection approach
  - Investment horizon: long term i.e. 3-5 years
  - Risk Return Profile: Medium to High Risk
  - Market Capitalization : Flexi Cap

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**j) Motilal Oswal MOST Fund ETF Assets and Securities Portfolio Strategy (FEATS)**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: None**

The strategy aims to offer a bouquet of diversified asset allocation portfolios varying by risk profile and returns expectations of underlying investors. The strategy will aim to use low cost ETFs, Funds and Securities as building blocks wherever available and possible in order to complete the asset allocation for investors with lowest possible cost as compared to alternate investment vehicles. The portfolio may invest overall in a combination of various Securities, ETF and mutual fund schemes including equity, debt, gilt across Indian Equity, International Equity, Bonds and Gold.

Features:

- Investment Strategy:
  - The Portfolio Manager will invest in various Securities, ETF and mutual fund schemes including schemes offered by Motilal Oswal Mutual Fund and other mutual funds from time to time.
  - Mutual fund schemes shall include equity, debt, gilt and exchange traded funds across Indian Equity, International Equity, Indian Bonds and Gold.
  - The objective of the strategy will be to achieve better risk adjusted returns for investors by diversification across various asset classes at lowest possible cost.
- The portfolio is a function of its components. While active funds may be used for populating different asset classes, ETF portfolios benefit asset allocation investing because they:
  - increase diversification,
  - provide the ability to target specific investment segments, and,
  - through ETFs, allow an investor to hedge their portfolio with relatively low risk.
  - Additionally, lower cost, live pricing and transparency allow the allocator to improve returns while allowing for nimble adjustments in inclement market conditions or to take advantage of short term opportunities.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*



**k) Motilal Oswal MOST Allocation Portfolio Strategy (MAPS)**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: None**

The strategy aims to offer optimizing asset allocation portfolios by investing in various asset classes like equity, bonds, derivatives, all category mutual fund schemes including Options available for methodologies to determine asset allocation broadly fall under 3 categories. The portfolio manager may construct PMS portfolios for investors based on any one of the following determinants.

Features:

- Investment Strategy:
  - Determinant 1 – Asset allocation determined based on Fundamental readings of parameters like P/E, P/BV, Dividend Yield, Earning Yield, Interest Rates, Inflation, and Money Supply etc.
  - Determinant 2 – Asset allocation determined based on quantitative techniques based algorithms
  - Determinant 3 – Long term fixed asset allocation based on risk profile of clients determined by their investment advisor / distributor.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**l) Emergence Portfolio Strategy (EPS)**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: BSE 500 Index**

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 3-5 years and which are available at reasonable market prices.

Features:

- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Sectors and Companies which promise a higher than average growth
- Concentration on emerging Themes

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**m) Focused Opportunities Strategy**

**Fund Manager: Mr. Manish Sonthalia**

**Benchmark: Nifty Midcap 100 Index**

The strategy aims to deliver superior returns through focused investment in themes which are a potential growth opportunity. It aims to predominantly invest bottom up by identifying high quality companies, having superior growth and sustainable competitive advantage.

Features:

- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Companies which have potential to deliver higher than average sector growth
- Concentration on good businesses and would be market capitalization agnostic

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**n) India Invest Opportunity Portfolio Strategy**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty Small Cap 100 Index**

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks with a focus on identifying potential winners.

Features:

- Investment Horizon: Medium to Long term.
- Investment Approach: "Buy & Hold" strategy.
- Focus on Sectors and Companies which promise a higher than average growth.
- Concentration on emerging Themes.
- 15-20 high conviction stock portfolio.
- Benchmarked against Nifty Free Float Midcap 100 Index.
- Low to medium churn resulting in enhanced post-tax returns.
- Ideal for Investors keen to generate wealth by participating in India's emerging businesses over a period of time.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**o) Motilal Oswal Business Opportunities Strategy**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty 500 Index**

The investment objective of the Strategy is to achieve long term capital appreciation by primarily investing in equity & equity related across market capitalization.

Features:

- Concentration on emerging themes likes Affordable Housing, Agricultural Growth, GST and Value Migration from PSU banks to Private Sector Banks and
- 12-15 high conviction stock portfolio.

*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy*

**p) India Invest Opportunity Portfolio Strategy V2**  
**Fund Manager: Mr. Manish Sonthalia**  
**Benchmark: Nifty Small Cap 100 Index**

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks\* with a focus on identifying potential winners. Focus on Sectors and Companies which promise a higher than average growth.

*\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.*

**Features:**

- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Sectors and Companies which promise a higher than average growth
- Concentration on emerging Themes

**q) India Opportunity Portfolio Strategy - V2****Fund Manager: Mr. Manish Sonthalia****Associate Fund Manager: Mr. Atul Mehra****Benchmark: Nifty Small Cap 100 Index**

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India's emerging businesses. It aims to predominantly invest in Small and Midcap stocks\* with a focus on identifying potential winners. Focus on Sectors and Companies which promise a higher than average growth.

*\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.*

**Features:**

- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Sectors and Companies which promise a higher than average growth
- Concentration on emerging Themes
- High Conviction focused Portfolio

**r) Large Cap Growth Strategy****Fund Manager: Mr. Shrey Loonker****Benchmark: Nifty 50 Index**

The Strategy aims to benefit from investing into quality businesses, run by great business managers for superior wealth creation over long term.

The strategy will invest in securities listed in derivatives segment on the exchanges. However the strategy will not invest in derivatives.

*\*The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.*

**Features:**

- Investment Approach: “Buy & Hold”
- Investment Horizon: Medium to Long term
- Maximize post tax return due to Low Churn

The Portfolio Manager may design and develop various series keeping in mind market conditions and may be customised for Client's specific need / profile. The Portfolio in all cases will be guided strictly by the relevant guidelines, Acts, Rules, Regulations, and notifications prevailing in force from time to time. The instrument may be principal protected or non-principal protected, which may have fixed or variable pay-offs. The investment objective of the Portfolio Manager shall be preservation and growth of capital and at the same time endeavour to reduce the risk of

capital loss. However, while the aforesaid is the objective, it needs to be reiterated that there can be no assurance and/or guarantee of such growth or even as regards preservation of capital or of there being no capital loss. The amount invested by the Clients under this strategy may be subject to a lock in period as detailed in the Schedule to the agreement between the Client and the Portfolio Manager.

All the above mentioned strategies are used under the discretionary portfolio management services as per the Regulations specified by SEBI.

The main features under Discretionary Portfolio Management Services are:

- Minimum Portfolio Size: Rs. 25 Lakhs or any amount not less than the statutory minimum as may be specified by the SEBI from time to time.
- Periodic valuation Report (if, any).
- Periodic transaction Statement (if, any).

**s) Dynamic Allocation Strategy:**

|                                  |                                      |
|----------------------------------|--------------------------------------|
| <b>Fund Manager:</b>             | Mr. Manish Sonthalia                 |
| <b>Co-Fund Manager (Equity):</b> | Mr. Atul Mehra                       |
| <b>Benchmark:</b>                | CRISIL Hybrid 50+50 - Moderate Index |

The strategy aims to generate long term capital appreciation by investing in equity and debt instruments with low volatility.

The equity exposure shall be a minimum of 30% of the portfolio value at all times. The debt exposure in the strategy will be taken by investing in government securities, corporate debt, and money market instruments or any debt/liquid oriented mutual funds.

***\*The Strategy will use Motilal Oswal Value Index (MOVI) as an indicator for the asset allocation between Equities and Debt. The asset allocation shall be reviewed twice a month (5th and 20th day of the calendar month) and the rebalancing will be conducted accordingly. There may be additional rebalances at the discretion of the portfolio manager. However, the rebalancing will always be based on the MOVI levels.***

Motilal Oswal Value Index (**MOVI**) is a proprietary index of Motilal Oswal Asset Management Company Limited (**MOAMC**).The MOVI helps gauge attractiveness of the equity market. The MOVI is calculated taking into account Price to Earnings (P/E), Price to Book (P/B) and Dividend Yield of the Nifty 50 Index. The MOVI is calculated on 30 Daily Moving Average of the above parameters. A low MOVI level indicates that the market valuation appears to be cheap and one may allocate a higher percentage of their investments to Equity as an asset class. A high MOVI level indicates that the market valuation appears to be expensive and that one may reduce their equity allocation.

Following depicts more clarity on MOVI based allocation:

| <b>MOVI Levels</b> |      | <b>Equity Exposure as per MOVI</b> |
|--------------------|------|------------------------------------|
| Less than 70       |      | 100%                               |
| 70                 | <80  | 90-95%                             |
| 80                 | <90  | 80-85%                             |
| 90                 | <100 | 70-75%                             |
| 100                | <110 | 55-60%                             |
| 110                | <120 | 40-45%                             |
| 120                | <130 | 30-35%                             |
| 130 or above       |      | 30-35%                             |

**Features:**

- Investment Horizon: Medium to Long term
- The portfolio will have asset allocation between equity and debt instruments based on MOVI
- Equity portion will be a diversified portfolio
- Debt portion will be invested in a debt securities, money market instruments or debt oriented mutual funds

**Strategywise Specific Risk:**

- The Strategy shall invest a portion of its assets into equity and debt securities based on Motilal Oswal Value Index (MOVI) levels. Hence, the risk associated with the calculation of MOVI allocations based on MOVI would be applicable to the Strategy. The allocations as per MOVI shall vary due to market conditions. These allocations based on MOVI level may not outperform a fully invested equity portfolio.

**Disclaimers:**

“Motilal Oswal Value Index (MOVI) is not sponsored, endorsed, sold or promoted by NSE Indices Limited. MOVI has been exclusively customized for Motilal Oswal Asset Management Company Ltd. (MOAMC) and has been developed and is being maintained as per the specifications and requirements of MOAMC. NSE Indices Limited does not make any representation or warranty, express or implied regarding the advisability of investing in the Product linked to MOVI and availing the services generally or particularly or the ability of MOVI to track general stock market performance in India. NSE Indices Limited has no obligation or liability in connection with the administration, marketing or trading of the Product based on MOVI.

NSE Indices Limited does not guarantee the accuracy and/or the completeness of MOVI or any data included therein and they shall have no liability for any errors, omissions, or interruptions therein. NSE Indices Limited does not make any warranty, express or implied, as to the results to be obtained by MOAMC, owners of the Product, or any other persons or entities from the use of MOVI or any data included therein. NSE Indices Limited make no express or implied warranties and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to MOVI or any data included therein. Without limiting any of the foregoing, in no event shall NSE Indices Limited have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

NSE Indices Limited has taken due care and caution in calculation, development, compilation, maintenance and dissemination of MOVI as per the requirements, specifications and instructions of the MOAMC. Information has been obtained by NSE Indices Limited from sources which it considers reliable. However, NSE Indices Limited does not guarantee the accuracy, adequacy or completeness of information and is not responsible for any errors or omissions or for the results obtained from the use of such information. NSE Indices Limited is also not responsible for any errors in transmission.”

**t) Motilal Oswal Allcap Growth Strategy**

**Fund Manager: Atul Mehra**

**Benchmark: Nifty 500 Index**

The Strategy aims to benefit from the long term compounding effect on investments done in good businesses, run by great business managers for superior wealth creation.

**Features:**

- A mix of Large, Midcap and Smallcap
- Investment Approach : “Buy & Hold”
- Investment Horizon: Medium to Long term.

**u) Strategy Name: Motilal Oswal Multicap Opportunities Strategy**

**Fund Manager: Susmit Patodia**

**Benchmark: Nifty 50 Index**

The Strategy aims to deliver superior returns by investing in great businesses across sectors that can benefit from India’s growth.

**Features:**

- Multicap strategy across sector
- Investment Approach : “Buy & Hold” with low churn
- Investment Horizon: Medium to Long term

**v) Strategy Name: Motilal Oswal Mid and Smallcap Opportunities Strategy**

**Fund Manager: Atul Mehra**

**Benchmark: Nifty Small Cap 100 Index**

The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from India’s emerging businesses. It aims to predominantly invest in Small and Midcap stocks with a focus on identifying potential winners.

**Features:**

- Investing predominantly in small and midcap segment
- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- Focus on Sectors and Companies within emerging themes.
- 15-20 high conviction stock portfolio

Note - The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.

**w) Strategy Name: Motilal Oswal Emerging Business Strategy****Fund Manager: Mr. Susmit Patodia****Benchmark: Nifty Midcap 100 Index**

The Strategy aims to deliver superior returns by investing in midcap stocks from sectors that can benefit from India's growth. It aims to predominantly invest in Midcap stocks\* with a focus on identifying potential winners.

**Features:**

- Investing primarily in midcap segment
- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy
- 15-20 high conviction stock portfolio

Note - The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.

**x) Strategy Name: Motilal Oswal Focused Business Strategy****Fund Manager: Atul Mehra****Benchmark: Nifty 50 Index**

The Strategy aims to achieve long term capital appreciation by primarily investing in equity & equity related across market capitalization.

**Features:**

- Investing across market capitalization with primary allocation towards large cap
- Investment Horizon: Medium to Long term
- Investment Approach: “Buy & Hold” strategy.
- High conviction stock portfolio

Note - The selection of the stocks will be based on the criteria of strategy at the time of initial ideation and investment made as per the model portfolio of the strategy.

**NOTE:**

- Investment under Portfolio Management Services will be only as per the SEBI Regulations on PMS.
- The uninvested amounts forming part of the Client’s Assets may be at the discretion of the Portfolio Manager be held in cash or deployed in Liquid fund schemes, Exchange Traded

Index Funds, debt oriented schemes of Mutual funds, Gilt schemes, Bank deposits and other short term avenues for Investment.

- The Portfolio Manager, with the consent of the Client, may lend the securities through an Approved Intermediary, for interest.
- The Portfolio Manager will not invest any of the funds of the Client in the shares, debt, deposits and other financial instruments of group companies of the Portfolio Manager.

Apart from Discretionary Portfolio Management Services, the Portfolio Manager also offers Non-Discretionary Portfolio Management Services wherein the choice as well as the timings of the investment decisions rest solely with the Client. The Portfolio Manager manages the Assets of the Client in accordance with the directions given by the Client. Further the Portfolio Manager also offers Advisory Portfolio Management Services wherein the Portfolio Manager only renders investment advice to the Client in respect of securities. Discretion to execute the transactions and responsibility for execution /settlement of the transactions lies solely with the Client.



## 6) **Risk Factors:**

The investments made in securities are subject to market risk and there is no assurance or guarantee that the objectives of investments will be achieved. Following are the risk factors as perceived by management:

- Investment in equities, derivatives and mutual funds and Exchange Traded Index Funds are subject to market risks and there is no assurance or guarantee that the objective of investments will be achieved.
- As with any investment in securities, the Net Asset Value of the portfolio can go up or down depending upon the factors and forces affecting the capital markets.
- The performance of the portfolio may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- The past performance of the Portfolio Manager does not indicate its future performance. Investors are not being offered any guaranteed returns.
- The performance of the Assets of the Client may be adversely affected by the performance of individual securities, changes in the market place and industry specific and macro economic factors. The investment strategies are given different names for convenience purpose and the names of the Strategies do not in any manner indicate their prospects or returns.
- Investments in debt instruments and other fixed income securities are subject to default risk, liquidity risk and interest rate risk. Interest rate risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. Consequently, the Net Asset Value of the portfolio may be subject to fluctuation.
- Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest amount or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate.
- The Portfolio Manager may invest in non-publicly offered debt securities and unlisted equities. This may expose the Client's portfolio to liquidity risks.
- Engaging in securities lending is subject to risks related to fluctuations in collateral value/settlement/liquidity/counter party.
- The Portfolio Manager may use derivatives instruments like index futures, stock futures and options contracts, warrants, convertible securities, swap agreements or any other derivative instruments for the purpose of hedging and portfolio balancing, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Portfolio to certain risks inherent to such derivatives. As and when the Portfolio Manager deals in the derivatives market on behalf of the Client, there are risk factors and issues concerning the use of derivatives that investors should understand.

- Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. 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 or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.
- There are inherent risks arising out of investment objectives, investment strategy, asset allocation and non-diversification of portfolio.
- The Net Asset Value may be affected by changes in settlement periods and transfer procedures.

7) **Client Representation:**

i) **Details of Client's accounts activated:**

|     | <b>Category of Clients</b>                 | <b>Total No. of Clients</b> | <b>Funds managed (Rs. Crores)</b> | <b>Discretionary/ Non-Discretionary (if available)</b> |
|-----|--|-----------------------------|-----------------------------------|--|
| i)  | Associates /group companies (Last 3 years) |                             |                                   |  |
| ii) | <b>Others: (last 3 years)</b>              |                             |                                   |  |
|     | 2015-16                                    | 9,704                       | 5,180.21                          | Discretionary  |
|     |  | 43                          | 112                               | Non - Discretionary                                    |
|     | 2016-17                                    | 21,833                      | 9,728.28                          | Discretionary  |
|     |  | 50                          | 115.93                            | Non-Discretionary                                      |
|     | 2017-18                                    | 36,630                      | 14,134.32                         | Discretionary  |
|     |  | 50                          | 115.93                            | Non-Discretionary                                      |

“Funds Managed” indicates market value of Assets under Management.

The above figures are given in compliance with amendment to the SEBI (Portfolio Managers) Regulations, 1993 dated August 11, 2008.

ii) **Transactions with related parties are as under:**

- The Portfolio Manager uses the broking services of Motilal Oswal Securities Ltd\*. who is member of BSE and NSE in Cash, Derivatives & Currency.
- Names of related parties and nature of relationship (as on March 31, 2018) are as under:

**A) Enterprises where control exists:**

Motilal Oswal Financial Services Ltd\* – Holding Company of Motilal Oswal Securities Ltd.

Passionate Investment Management Pvt. Ltd. (From October 5, 2012) - Ultimate Holding Company

\*Pursuant to the scheme of amalgamation Motilal Oswal Securities Ltd has been merged with Motilal Oswal Financial Services Ltd w.e.f August 21, 201 8.

**B) Subsidiaries:**

Motilal Oswal Asset Management (Mauritius) Private Limited  
Motilal Oswal Capital Limited

**B) Fellow Subsidiaries:**

1. Motilal Oswal Capital Markets Pvt. Ltd.
2. Motilal Oswal Trustee Company Limited

3. Motilal Oswal Fincap Private Limited (formerly known as Motilal Oswal Insurance Brokers Private Limited)
4. Motilal Oswal Commodities Broker Private Limited
5. Motilal Oswal Investment Advisors Limited
6. MOPE Investment Advisors Private Limited
7. Motilal Oswal Wealth Management Limited
8. Motilal Oswal Securities International Private Limited
9. Motilal Oswal Capital Market (Hongkong) Private Limited
10. Motilal Oswal Capital Markets (Singapore) Pte. Limited
11. Aspire Home Finance Corporation Limited
12. Motilal Oswal Real Estate Investment Advisors Private Limited
13. Motilal Oswal Real Estate Investment Advisors II Private Limited
14. India Business Excellence Management Company
15. Nagori Agro & Cattle Feeds Private Limited

**C) Key management personnel:**

1. Mr. Raamdeo Agrawal
2. Mr. Aashish P Somaiyaa
3. Ms. Aparna Karmase
4. Mr. Yatin Dolia

- **Transactions with related parties for the year-ended March 31, 2018** (amount in Rupees):

| Nature of transactions                                      | Name of the Related party                | Holding Company / Subsidiary Company / Fellow Subsidiary ( A ) |                          | Key Managerial Personnel / Relative of KMP ( B ) |                          | Total (A+B)              |                          |
|---|--|--|--------------------------|--|--------------------------|--------------------------|--------------------------|
|   |  | Year ended 31 March 2018                                       | Year ended 31 March 2017 | Year ended 31 March 2018                         | Year ended 31 March 2017 | Year ended 31 March 2018 | Year ended 31 March 2017 |
| Interest paid   | Motilal Oswal Financial Services Limited | 12,17,106  | 1,16,336                 | -  | -                        | 12,17,106                | 1,16,336                 |
| Rent paid   | Motilal Oswal Financial Services Limited | 5,45,33,255  | 3,13,63,010              | -  | -                        | 5,45,33,255              | 3,13,63,010              |
|   | Motilal Oswal Securities Limited         | 1,80,24,301  | 90,12,150                | -  | -                        | 1,80,24,301              | 90,12,150                |
| Business promotion expense                                  | Motilal Oswal Wealth Management Limited  | 16,42,588  | -                        | -  | -                        | 16,42,588                | -                        |
| Distribution cost expense for mutual fund schemes           | Motilal Oswal Securities Limited         | 8,76,97,551  | 5,33,53,564              | -  | -                        | 8,76,97,551              | 5,33,53,564              |
| Distribution cost expense for portfolio management services | Motilal Oswal Securities Limited         | 58,94,80,832   | 36,83,66,255             | -  | -                        | 58,94,80,832             | 36,83,66,255             |
| Business support charges                                    | Motilal Oswal Securities Limited         | -  | 1,45,82,830              | -  | -                        | -                        | 1,45,82,830              |
| Distribution cost expense for portfolio management services | Motilal Oswal Wealth Management Limited  | 31,93,59,288   | 30,79,22,462             | -  | -                        | 31,93,59,288             | 30,79,22,462             |
| Distribution cost expense for mutual fund schemes           | Motilal Oswal Wealth Management Limited  | 5,73,74,750  | 2,94,61,738              | -  | -                        | 5,73,74,750              | 2,94,61,738              |
| Set up fees paid for Alternate Investment Fund              | Motilal Oswal Securities Limited         | 4,77,09,660  | 1,53,00,000              | -  | -                        | 4,77,09,660              | 1,53,00,000              |
|   | Motilal Oswal Wealth Management Limited  | 1,32,25,000  | 1,06,35,000              | -  | -                        | 1,32,25,000              | 1,06,35,000              |
| Distribution cost expense for Alternate                     | Motilal Oswal Securities Limited         | 3,12,15,582  | 2,37,136                 | -  | -                        | 3,12,15,582              | 2,37,136                 |

|   |  |                  |                |              |             |                  |                |
|---|--|------------------|----------------|--------------|-------------|------------------|----------------|
| Investment Fund schemes                         | Motilal Oswal Wealth Management Limited                    | 2,23,49,409      | 1,97,157       | -            | -           | 2,23,49,409      | 1,97,157       |
| Marketing commission                            | Motilal Oswal Wealth Management Limited                    | -                | 43,96,663      | -            | -           | -                | 43,96,663      |
| Investment advisory fees received               | Motilal Oswal Asset Management (Mauritius) Private Limited | (8,35,651)       | (10,97,758)    | -            | -           | (8,35,651)       | (10,97,758)    |
|   | Motilal Oswal Wealth Management Limited                    | (52,13,599)      | (21,45,160)    | -            | -           | (52,13,599)      | (21,45,160)    |
| Investment advisory fees                        | Motilal Oswal Capital Limited                              | (8,92,559)       | -              | -            | -           | (8,92,559)       | -              |
| Security deposit paid                           | Motilal Oswal Financial Services Limited                   | 88,84,614        | 2,20,83,940    | -            | -           | 88,84,614        | 2,20,83,940    |
| Portfolio management fees                       | Raamdeo Agarwal  | -                | -              | 1,02,736     | 38,365      | 1,02,736         | 38,365         |
|   | Suneeta Agarwal  | -                | -              | 35,33,259    | 15,70,032   | 35,33,259        | 15,70,032      |
|   | Vaibhav Agarwal  | -                | -              | 13,48,542    | -           | 13,48,542        | -              |
| Reimbursement of electricity charges            | Motilal Oswal Financial Services Limited                   | -                | 5,23,627       | -            | -           | -                | 5,23,627       |
|   | Motilal Oswal Securities Limited                           | 82,96,972        | 47,73,875      | -            | -           | 82,96,972        | 47,73,875      |
| Reimbursement of common cost allocated          | Motilal Oswal Financial Services Limited                   | -                | 2,32,939       | -            | -           | -                | 2,32,939       |
|   | Motilal Oswal Securities Limited                           | 59,71,025        | 32,61,727      | -            | -           | 59,71,025        | 32,61,727      |
| Employee compensation - Managerial remuneration | Aashish Somaiyaa (01 April 2017 to 31 January 2018)        | -                | -              | 2,56,16,748  | -           | 2,56,16,748      | -              |
|   | Aashish Somaiyaa (01 February 2018 to 31 March 2018)       | -                | -              | 25,56,87,517 | 2,36,82,176 | 25,56,87,517     | 2,36,82,176    |
|   | Yatin Dolia  | -                | -              | 24,47,337    | -           | 24,47,337        | -              |
| Subscription to equity share capital            | Motilal Oswal Capital Limited                              | -                | 10,00,000      | -            | -           | -                | 10,00,000      |
|   | Motilal Oswal Asset Management (Mauritius) Private Limited | 32,41,905        | 1,32,90,750    | -            | -           | 32,41,905        | 1,32,90,750    |
| Loan taken during the year                      | Motilal Oswal Financial Services Limited                   | (1,39,75,00,000) | (31,50,00,000) | -            | -           | (1,39,75,00,000) | (31,50,00,000) |

|   |  |                |              |   |   |                |              |
|---|--|----------------|--------------|---|---|----------------|--------------|
| Loan repaid during the year                             | Motilal Oswal Financial Services Limited | 1,39,75,00,000 | 31,50,00,000 |   |   | 1,39,75,00,000 | 31,50,00,000 |
| Expenditure for options granted to employees of Company | Motilal Oswal Financial Services Limited | 6,25,20,791    | -            | - | - | 6,25,20,791    | -            |
| Corporate Social Responsibility expenditure             | Motilal Oswal Foundation                 | 73,22,339      | 17,00,000    |   |   | 73,22,339      | 17,00,000    |

**(B) Outstanding balances of / with related parties :**

(In Rupees)

| Nature of transactions | Name of the Related party                                  | Holding Company / Subsidiary Company / Fellow Subsidiary ( A ) |                     | Key Managerial Personnel / Relative of KMP ( B ) |                     | Total (A+B)         |                     |
|------------------------|--|--|---------------------|--|---------------------|---------------------|---------------------|
|                        |  | As at 31 March 2018  | As at 31 March 2017 | As at 31 March 2018                              | As at 31 March 2017 | As at 31 March 2018 | As at 31 March 2017 |
| Interest payable       | Motilal Oswal Financial Services Limited                   | (5,53,993)   | (13,253)            | -  | -                   | (5,53,993)          | (13,253)            |
| Deposits               | Motilal Oswal Financial Services Limited                   | 3,09,68,554  | 2,20,83,940         | -  | -                   | 3,09,68,554         | 2,20,83,940         |
|                        | Motilal Oswal Securities Limited                           | 90,12,150  | 90,12,150           | -  | -                   | 90,12,150           | 90,12,150           |
| Rent payable           | Motilal Oswal Securities Limited                           | (43,11,930)  | (38,26,358)         | -  | -                   | (43,11,930)         | (38,26,358)         |
| Trade receivables      | Motilal Oswal Asset Management (Mauritius) Private Limited | -  | 10,97,758           | -  | -                   | -                   | 10,97,758           |
| Trade payables         | Motilal Oswal Wealth Management Limited                    | (5,90,73,985)  | (8,54,30,749)       | -  | -                   | (5,90,73,985)       | (8,54,30,749)       |
|                        | Motilal Oswal Financial Services Limited                   | (1,34,575)   | -                   | -  | -                   | (1,34,575)          | -                   |
|                        | Motilal Oswal Securities Limited                           | (7,20,49,264)  | (9,00,46,735)       | -  | -                   | (7,20,49,264)       | (9,00,46,735)       |
| Other receivables      | Motilal Oswal Capital Limited                              | 9,93,008   | 98,200              | -  | -                   | 9,93,008            | 98,200              |

|                                       |  |               |             |   |   |               |             |
|---------------------------------------|--|---------------|-------------|---|---|---------------|-------------|
| Employee stock option charges payable | Motilal Oswal Financial Services Limited                   | (5,48,50,323) | -           | - | - | (5,48,50,323) | -           |
| Investments                           | Motilal Oswal Asset Management (Mauritius) Private Limited | 1,65,32,655   | 1,32,90,750 | - | - | 1,65,32,655   | 1,32,90,750 |
|                                       | Motilal Oswal Capital Limited                              | 10,00,000     | 10,00,000   | - | - | 10,00,000     | 10,00,000   |
|                                       | Aspire Home Finance Corporation Limited                    | 10            | 10          | - | - | 10            | 10          |

Note: Income/receipts and payables are shown in brackets.



8) **The Financial Performance of Portfolio Manager (Based on audited financial Statements)**

Financial highlights of Motilal Oswal Asset Management Company Ltd. for the last 2 years are given as under:

| Particulars  | Year ended                   | Year ended                   |
|--|------------------------------|------------------------------|
|  | 31 <sup>st</sup> March, 2018 | 31 <sup>st</sup> March, 2017 |
|  | (Rs. In Lakhs)               | (Rs. In Lakhs)               |
| Profit/(Loss) before depreciation & tax & After Exceptional & Extraordinary Items (Net of Tax) | 19,132.58                    | 7,650.71                     |
| Less: Depreciation   | 53.67                        | 62.00                        |
| Less: Provision for tax  | 4,065.79                     | 1,630.78                     |
| Less: MAT credit utilised/(entitlement)  | 101.08                       | (456.40)                     |
| Less/(Add): Deferred Tax   | 2,173.83                     | 2,314.08                     |
| Less: Fringe Benefit Tax   | -                            | -                            |
| Less: Wealth Tax   | -                            | -                            |
| Less: Provision for Tax (for previous year)  | (25.87)                      | (875.29)                     |
| Less: MAT credit (for previous year)   | (383.19)                     | -                            |
| Profit/(Loss) for the year after tax   | 13,147.26                    | 4975.54                      |
| Add/(Less): Balance B/F from Previous year   | 6,992.40                     | 2,016.86                     |
| <b>Balance carried to Balance Sheet</b>  | <b>20,139.66</b>             | <b>6,992.40</b>              |



**STRATEGY WISE RETURNS ( in % )**

| SR. NO | Strategy Name   | Benchmark Index           | From September 5, 2018 to February 28, 2019 |           | FY 2017-2018 |           | FY 2016- 2017 |           | FY 2015-2016 |           |
|--------|---|---------------------------|---|-----------|--------------|-----------|---------------|-----------|--------------|-----------|
|        |   |                           | Portfolio                                   | Benchmark | Portfolio    | Benchmark | Portfolio     | Benchmark | Portfolio    | Benchmark |
| 13.    | Motilal Oswal MOST Allocation Portfolio Strategy (MAPS) | None                      | NA  | NA        | NA           | NA        | NA            | NA        | NA           | NA        |
| 14.    | India Invest Opportunity Portfolio Strategy             | Nifty Small Cap 100 Index | -14.66                                      | -20.27    | (12.34)      | 3.17      | NA            | NA        | NA           | NA        |
| 15.    | Motilal Oswal Business Opportunities Strategy           | Nifty 500 Index           | -4.87                                       | -7.84     | (0.98)       | (9.67)    | NA            | NA        | NA           | NA        |
| 16.    | India Invest Opportunity Portfolio Strategy V2          | Nifty Small Cap 100 Index | -15.31                                      | -19.24    | (1.91)       | (7.16)    | NA            | NA        | NA           | NA        |
| 17.    | India Opportunity Portfolio Strategy - V2               | Nifty Small Cap 100 Index | -15.67                                      | -19.56    | (1.35)       | (10.80)   | NA            | NA        | NA           | NA        |
| 18.    | Large Cap Growth Strategy                               | Nifty 50 Index            | NA  | NA        | NA           | NA        | NA            | NA        | NA           | NA        |
| 19.    | Dynamic Allocation Strategy                             | CRISIL Hybrid 50+ 50 Mod  | -4.28                                       | -1.76     | NA           | NA        | NA            | NA        | NA           | NA        |
| 20     | Motilal Oswal Allcap Growth Strategy                    | Nifty 500 Index           | -2.77                                       | -1.43     | NA           | NA        | NA            | NA        | NA           | NA        |
| 21     | Motilal Oswal Multicap Opportunities Strategy           | Nifty 50 Index            | -0.69                                       | 0.12      | NA           | NA        | NA            | NA        | NA           | NA        |
| 22     | Motilal Oswal Mid and Smallcap Opportunities Strategy   | Nifty Small Cap 100 Index | 4.22  | -3.84     | NA           | NA        | NA            | NA        | NA           | NA        |
| 23     | Motilal Oswal Emerging Business Strategy                | Nifty Midcap 100 Index    | 1.61  | -1.81     | NA           | NA        | NA            | NA        | NA           | NA        |

**STRATEGY WISE RETURNS ( in % )**

| SR. NO | Strategy Name                           | Benchmark Index | From September 5, 2018 to February 28, 2019 |           | FY 2017-2018 |           | FY 2016- 2017 |           | FY 2015-2016 |           |
|--------|---|-----------------|---|-----------|--------------|-----------|---------------|-----------|--------------|-----------|
|        |   |                 | Portfolio                                   | Benchmark | Portfolio    | Benchmark | Portfolio     | Benchmark | Portfolio    | Benchmark |
| 24     | Motilal Oswal Focused Business Strategy | Nifty 50 Index  | -1.46                                       | 0.12      | NA           | NA        | NA            | NA        | NA           | NA        |

In case of Structured Products Investments Strategy, Non-Discretionary PMS performance returns are not shown, since the valuations are not available for the given Portfolio Product.

**Note:**

1. Category wise return in each portfolio is calculated based on simple average of all such client returns which in turn has been calculated using weighted average return method after adjusting for inflows and outflows during the period. The performance of clients which were live during the period is considered.
2. Returns are after charging fees and expenses.
3. None of the Portfolio Account exists under Motilal Oswal MOST Allocation Portfolio Strategy MAPS and Motilal Oswal MOST Fund ETF Assets and Securities Portfolio Strategy as on February 28, 2019.

**10) Nature of expenses:**

**i) Investment Management & Advisory Fees:**

Investment Management and Advisory fees charged may be a fixed fee or a return based fee or a combination of both as detailed in the Schedule to the Portfolio Management Services agreement. The Fees may be charged upfront and/or at the end of a specified tenure as agreed between the Client and the Portfolio Manager.

**ii) Custodian Fees: As may be decided between the Client and the Portfolio Manager**

**iii) Registrar & Transfer Agent Fees: NIL**

**iv) Brokerage & Transaction Cost:**

The investments under Portfolio Management would be done through registered members of the Stock Exchange(s) who charge brokerage up to a maximum of 2.5% of

contract value. In addition to the brokerage, transaction cost like network charges, turnover charges, stamp duty, transaction costs, turnover tax, Securities transaction tax or any other tax levied by statutory authority (ies), foreign transaction charges (if any) and other charges on the purchase and sale of shares, stocks, bonds, debt, deposits, other financial instruments would also be levied by the broker (including Motilal Oswal Securities Ltd.) Entry or exit loads (if any) on units of Mutual Funds will also be charged from Clients.

**v) Goods and Service Tax:**

As applicable from time to time.

**vi) Depository Charges:**

As may be applicable from time to time.

**vii) Entry Load /Exit Load**

As may be mutually agreed to between the Client and the Portfolio Manager

**viii) Certification and professional charges:**

Charges payable for out sourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarisations, certifications, attestations required by bankers or regulatory authorities including legal fees etc.

**ix) Incidental expenses:**

Charges in connection with day-to-day operations like courier expenses, stamp duty, service tax, postal, telegraphic, opening and operation of bank account, distribution charges or any other out of pocket expenses as may be incurred by the Portfolio Manager.

Investors may note that, the fees/ expenses that may be charged to Clients mentioned below are indicative only. The same will vary depending upon the exact nature of the services to be provided to investors.

|     | <b>Nature of Expenses (Indicative)</b>   | <b>Maximum Indicative Rate of Fee (%)</b> |
|-----|--|---|
| (I) | Investment Management and Advisory fee** |   |
|     | 1) Fixed Fee                             | Up to 10%                                 |
|     | 2) Fixed Upfront fee                     | Up to 10%                                 |
|     | 3) Performance Linked Fee as             | Up to 50% of the Returns                  |

|   |  |                                   |
|---|--|-----------------------------------|
|   | permitted under the Regulations.                 |                                   |
|   | 4) Exit Loads                                    | Up to 20%                         |
| (II)  | Custodian Fee**                                  | Up to 1%                          |
| (III)   | Brokerage and transaction costs                  | Maximum of 2.5% of contract value |
| (IV)  | Fund Accounting Charges**                        | Up to 1%                          |
| <b>**Basis of Charge – Indicative (any one or a combination of the below)</b> |  |                                   |
| 1   | On Average Daily Assets Under Management         |                                   |
| 2   | On Capital Invested                              |                                   |
| 3   | On Capital Committed                             |                                   |
| 4   | On Average Daily Equity portion of the Portfolio |                                   |

**Note:**

- a. Average daily portfolio value means the value of the portfolio of each client determined in accordance with the relevant provisions of the agreement executed with the client and includes both realized and unrealized gains/losses.
- b. The Portfolio Manager may also be entitled to recover transaction fee, brokerage charges, demat fees, and/or disbursement made in respect of the investments (and/or disbursements) and/or any incidentals in the form of stamp duties, registration charges, professional fees, legal fees, consultancy charges, service charges etc. and such other expenses, duties, charges incurred on behalf of the Client on account of the Service provided to him/her/it.

## 11) Taxation

The following information is based on the law in force in India at the date hereof. The information set forth below is based on the Portfolio Manager's understanding of the Tax Laws as of this date of Disclosure Document. The client should seek advice from his/her/its own professional advisor if he/she/it is in any doubt regarding the taxation consequences of investing in the Products offered under Portfolio Management Services.

### **Income Tax:**

The maximum tax rates applicable to different categories of assesses are as follows:

|  |                                    |
|--|------------------------------------|
| Resident individual & HUF  | <b>30%* + surcharge &amp; cess</b> |
| Partnership Firms & Indian Companies<br>(Other than specified companies below)                                   | <b>30% + surcharge &amp; cess</b>  |
| Indian Companies having turnover less than<br>250 crores during the financial year 2017-18<br>(w.e.f 01.04.2019) | <b>25% + surcharge &amp; cess</b>  |
| Non-resident Indians   | <b>30% + surcharge &amp; cess</b>  |
| Foreign companies  | <b>40% + surcharge &amp; cess</b>  |

\*Maximum slab rate is 30%, although generally taxed @ slab Rate for income other than Capital Gain.

| <b>Assesses</b>   | <b>Rate of surcharge &amp; Cess applicable</b>  |
|---|---|
| Individuals (including NRIs/PIOs), HUFs, Non-Corporate FIIIs                    | A surcharge of 10% on income tax if income is above Rs. 50 lakh but below Rs. 1 crore. For income above Rs. 1 crore surcharge shall be 15 % on income tax (on income above 1 crore). Health & Education cess of 4% is payable on the total amount of tax including surcharge. |
| Companies where the taxable income more than Rs. 1 crores and upto Rs. 10 crore | A surcharge of 7% on income tax and Health & Education cess of 4% is payable on the total amount of tax including surcharge. (A surcharge of 2% in case of foreign companies).  |
| Companies where the taxable income is more than Rs. 10 Crore                    | A surcharge of 12% on income tax (on income above 10 crores) and Health & Education cess of 4% is payable on the total amount of tax including surcharge.(a surcharge of 5% in case of foreign companies).  |

The Dividend received in respect of the shares and units of Mutual Fund held in the Products offered under the Portfolio Management Services are subject to tax in the hands of investor.

Like if the aggregate dividend income accrued/ received by an individual or a firm (from domestic companies only) resident in India, exceeds Rs. 10 lakhs, such excess of the

aggregate dividend income accrued/ received shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).

However, the dividend/income distribution on securities and units received by Products offered under the Portfolio Management Services on will be after distribution tax on the amount of dividend/income distribution declared.

The rates of tax on the dividend/ income distribution on units would be as under:

| <b>Rate of Tax (%) #</b> |                                 |                               |                                 |
|--------------------------|---------------------------------|-------------------------------|---------------------------------|
|                          | <b>Type of Payer</b>            |                               |                                 |
|                          | <b>Mutual Fund</b>              |                               |                                 |
|                          | <b>Money Market Liquid Fund</b> | <b>Equity Oriented Scheme</b> | <b>Infrastructure Debt Fund</b> |
| Individuals / H.U.F.     | 25%                             | 10%                           | 25 %                            |
| NRI                      | 25%                             | 10%                           | 5%                              |
| Others                   | 30%                             | 10%                           | 30%                             |

# +Surcharge+ Health & Education Cess (4% w.e.f 1.04.2018) as applicable

## **Capital Gains Tax**

### **(a) Long Term**

#### **For Individuals, HUF, Partnerships Firm and Indian Companies**

From October 1, 2004 in case of listed equity shares and securities and units of equity oriented schemes sold on a recognized stock exchange, which are subject to Securities Transaction Tax (currently 0.001% for units of equity oriented scheme and 0.1% on equity shares) both at time of purchase & sale of Equity shares & the tax on Long Term Capital Gain would be 10% if Capital gain is more than Rs.1Lac with a grandfathering clause. Long term capital gains in respect of other than listed securities or units would be subject to tax at the lower of 20% (plus surcharge and education cess) of the gains computed after cost indexation, or 10% (plus surcharge and education cess) of the gains computed without cost indexation.

### **(b) Short Term**

#### **For Resident Individuals, HUF, Partnerships Firm and Indian Companies**

Short-term Capital Gains (other than shares or units of equity oriented funds on a recognized stock exchange, which are subject to Securities Transaction Tax) is added to the total income. Total income including short-term capital gain is chargeable to tax as per the relevant slab rates. However, tax on short term capital gains on sale of shares and units of equity oriented funds on a recognized stock exchange, which are subject to Securities Transaction Tax, would be @ 15% (plus applicable surcharge and an education cess).



### **Provisions regarding Dividend income and Bonus**

According to the provisions of Section 94(7) of the Act, losses arising from the sale/redemption of units purchased within 3 months prior to the record date (for entitlement of dividends) and sold within 9 months after such date, is disallowed to the extent of income on such units (claimed as tax exempt).

According to the provisions of Section 94(8) of the Act, if an investor purchases units within 3 months before the record date (for entitlement of bonus) and sells/redeems the units within 9 months after that date, and by virtue of holding the original units, he becomes entitled to bonus units, then the loss arising on transfer of original units shall be ignored for the purpose of computing his income chargeable to tax. In fact, the loss so ignored will be treated as cost of acquisition of such bonus units.

### **Switching from one scheme to another**

As stated in the respective Scheme Information Documents, switching from one Scheme / option to another Scheme / option will be effected by way of redemption of units of the relevant Scheme / option and reinvestment of the redemption proceeds in the other Scheme / option selected by the unit holder. Hence, switching will attract the same implications as applicable on transfer of such units.

### **Consolidation of Schemes**

Transfer of units upon consolidation of mutual fund schemes of two or more schemes of mutual fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains. Further, transfer of units upon consolidation of plans within mutual fund schemes in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.

### **Tax withholding:**

#### **Resident Investors**

As per Circular no. 715 dated August 8, 1995 issued by the CBDT in case of resident Unit holders, no tax is required to be deducted at source from capital gains arising at the time of repurchase or redemption of the units.

#### **Foreign Portfolio Investors**

Under section 196D of the Act, no tax is required to be deducted at source on income way of capital gains earned by a FPI.

#### **Non-resident Investors other than FPI's**

Under Section 195 of the Act, the Mutual Fund is required to deduct tax at source at the rate of 20% /10% (without indexation) on any long-term capital gains arising to non-resident investors from units other than units of an equity oriented scheme. Long term capital gains

from equity oriented schemes & listed equity shares are liable to be withhold @10% if the capital gain exceed Rs 1Lakh during the financial year starting from April 1, 2018.

In respect to short-term capital gains from units other than units of an equity oriented scheme, tax is required to be deducted at source at the rate of 30% (Assuming Highest tax bracket for investor) if the payee unit holder is a non-resident non-corporate and at the rate of 40% if the payee unit holder is a foreign company. In case of equity oriented schemes, tax is required to be deducted at the rate of 15% for both corporate and non-corporate non-resident unit holders.

Further, the aforesaid tax to be deducted is required to be increased by surcharge and Health & Education Cess, as applicable.

As per circular no. 728 dated October 30, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Tax Avoidance Agreement ('DTAA') is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.

**Please note:**

The tax incidence to investors could vary materially based on residential status, characterization of income (i.e. capital gains versus business profits) accruing to them. The Information provided here is general in nature. Please consult your financial planner before taking decision. The above details are updated as per proposed Finance Bill.

## **12) Accounting Policies:**

The following Accounting policy will be applied for the investments of Clients:

Investments in Equities, Mutual funds, Exchange Traded Funds and Debt instruments will be valued at closing market prices of the exchanges (BSE or NSE as the case may be) or the Repurchase Net Asset Value declared for the relevant scheme on the date of the report or any cut-off date or the market value of the debt instrument at the cut off date. Alternatively, the last available prices on the exchange or the most recent NAV will be reckoned. In case of structured products, the portfolio will be valued at the face value of the product until the expiry of the tenure.

- a) Realized gains/ losses will be calculated by applying the first in / first out principle. The Portfolio Manager and the Client can adopt any specific norms or methodology for valuation of investments or accounting the same as may be mutually agreed between them on a case specific basis.
- b) For derivatives and futures and options, unrealised gains and losses will be calculated by marking to market the open positions.
- c) Unrealised gains/losses are the differences in between the current market values/NAV and the historical cost of the securities.
- d) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further Mutual Fund dividend shall be accounted on receipt basis. Other income like bank interest, interest on FD etc. shall also be accounted on receipt basis.
- e) Bonus shares shall be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- f) Right entitlement shall be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- g) The cost of investment acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the brokers cost note/bought note.

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) Investors Services:

**(i) Details of investor relation officer who shall attend to the investor queries and complaints is mentioned herein below:**

|                    |  |
|--------------------|--|
| Name of the person | Mr. Jamin Majethia   |
| Designation        | Associate Vice President – Operations  |
| Address            | 10 <sup>th</sup> Floor, Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi - 400025 |
| Email              | <a href="mailto:Jamin.Majethia@motilaloswal.com">Jamin.Majethia@motilaloswal.com</a>                               |
| Telephone          | 022-50362462   |

**ii) Grievance redressal and dispute settlement mechanism:**

- a) The Investment Relation Officer(s) will be the interface between the Portfolio Manager and the Client. In case the Client is not satisfied with the redressal by the Portfolio Manager or otherwise, the Client may lodge the complaint on SEBI's web based complaints redress system (SCORES).
- b) Grievances, if any, that may arise pursuant to the Portfolio Investment Management Agreement entered into shall as far as possible be redressed through the administrative mechanism by the Portfolio Manager and are subject to SEBI (Portfolio Managers) Regulations 1993 and any amendments made thereto from time to time. However, all the legal actions and proceedings are subject to the jurisdiction of court in Mumbai only and are governed by Indian laws.

The Portfolio Manager will endeavour 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 stand taken by 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 through Arbitration process as described in the Portfolio Investment Management Agreement or any Supplemental Agreement thereto.

**For Motilal Oswal Asset Management Company Ltd.:**

|   |  |
|---|--|
| <b>Raamdeo Agrawal<br/>Director</b>                     |  |
| <b>Aashish P Somaiyaa<br/>Managing Director and CEO</b> |  |

**Place: Mumbai**

**Date: March 12, 2019**

## Annexure A

### **Following are the actions taken or initiated by the SEBI against Portfolio Manager in its capacity as Asset Management Company (MOAMC) to Motilal Oswal Mutual Fund:**

- MOAMC had received a letter from SEBI dated July 26, 2013 with reference to one complaint filed with SEBI wherein the complainant has alleged that disclosure of historical data pertaining to Index in NFO advertisement of the Scheme, Motilal Oswal MOST Shares Midcap 100 ETF (MOST Shares Midcap 100) was misleading. On that basis SEBI had issued a letter directing the Management to avoid recurrence of such instance in future and to place its letter before the Trustee and AMC Board.

In this regard, the Company clarified to SEBI that the historical data used in the advertisement material of the MOST Shares Midcap 100 was provided by India Index Services Ltd. (IISL). As, you are aware it is general practice for index providers to launch an index on a particular date and make past data available in time series form at going back years. The purpose is purely analytical in nature for getting an understanding of how such index has behaved over time. The historical data pertaining to Midcap 100 Index was made available by IISL under a licensing arrangement and making available index data for various historical purposes is normal practice with all indices and index providers. Further, in the advertisement material had clearly mentioned the source of that data as IISL whereby informing the prospective investor that the Company had relied on the historical data published and maintained by a third party. Hence, the Company had not violated any provisions of the advertisement guidelines issued by SEBI.

Therefore SEBI was requested to take note of abovementioned clarification.

- MOAMC had reported to SEBI regarding non-compliance of clause 1B of seventh schedule to sub-regulation 1 of regulation 44 under the Scheme, Motilal Oswal MOST Ultra Short Term Bond Fund, in the Compliance Test Reports for the Bi-month period ended September 2013 and November 2013. The same was informed to the Board at its meeting held on December 26, 2013.

Pursuant to above reporting, SEBI issued a letter having reference no. OW/4941/2014 dated February 13, 2014, advising MOAMC to improve compliance standards, strengthen the systems and have proper checks and balances in place to avoid such instances in future.

- The AMC had received a letter from SEBI dated October 5, 2015 wherein they have communicated concerns which it had observed while conducting on-site visit on IAP conducted by Motilal Oswal Mutual Fund wherein they observed that the AMC vide its e-mail dated June 23, 2015 had reported that the IAP was conducted at the scheduled time and venue but actually a Distributor training event was conducted, wherein training was

provided to the Distributors. In this regard SEBI warned and advised to take due care with regards to utilisation of 2 bps to the investor education and awareness purpose and ensure compliance with all statutory provisions.

In response to the above mentioned letter, AMC had sent a letter dated November 10, 2015 stating that in consultation with the Distributor, AMC had scheduled the IAP on May 20, 2015 @ 4.30 pm at NJ Ghatkopar - Office no 306, 3rd Floor, Zest Business Space, Ghatkopar East, Mumbai - 400077. However, on reaching the venue, the Distributor informed that they had communicated the time of IAP at 7:00 pm to their Investors at same venue. Thus, having reached there early, we decided to spend the time with the Distributor and IAP meeting was conducted at 7:00 pm instead of 4:30 pm. However, we regret that due to oversight, we inadvertently reported the wrong time while reporting the IAP event conducted. Further also clarified that expenses incurred in organizing the IAP at Ghatkopar has not been charged from 2 bps set aside from the Scheme but are borne by the AMC. The AMC requested SEBI to withdraw the warning.

- MOAMC, inter alia, acts as an Asset Management Company to Motilal Oswal Mutual Fund (MOMF) and is subject to periodical SEBI inspections of MOMF, its Registrar & Transfer Agent & Custodian. During the said inspection of Registrar & Transfer Agent, SEBI vide its letter dated November 16, 2015 has advised to take due care in compliance mechanism. Necessary steps have been taken to avoid recurrence of instances and systems have been strengthened. The following are the details:

➤ Requirement relating to Investors (20 – 25)

With respect to the aforesaid point, SEBI warned and advised the AMC to take due care in future and improve the compliance mechanism and standards to avoid reoccurrence of such instances.

In this regard, the AMC clarified that the reporting is done as on half year end and hence details of only those investors who were holding more than 25 percent as on the end of half year period are provided as a note to the Half Yearly Financials and also submitted that this practice is in line with the industry practice and hence also followed by us. AMC further requested to withdraw the warning and also to provide a guidance note across the industry so as to have clarity on the aforesaid regulation.

➤ Business with brokers. Non Availability of records relating to empanelment of brokers:

With respect to the above deficiency, SEBI advised to strengthen the process and systems so that such lapses do not occur in future.

In this regard, AMC took note of the above point and shall ensure the same.

- The AMC had received a warning letter from SEBI dated May 19, 2016 in accordance with Regulation 28(5) of SEBI (Mutual Funds) Regulations, 1996 which states that the Sponsor or asset management company of schemes existing as on date of notification of the SEBI (Mutual Funds) (Amendment) Regulations, 2014 shall invest not less than one percent of the assets under management of the scheme as on date of notification of these regulations or fifty lakh rupees, whichever is less, in the growth option of the scheme and such investment shall not be redeemed unless the scheme is wound up.

In response to the above mentioned letter, the AMC had sent a letter dated August 4, 2016 submitting that Motilal Oswal Group's investment in the MOST Focused 25 was approximately Rs. 48 crores under Growth and Dividend reinvestment options. Our Sponsor, Motilal Oswal Securities Limited (MOSL) and the Sponsor's holding company, Motilal Oswal Financial Services Limited (MOFSL) had redeemed its investments from the Growth Option of the Scheme retaining investment of appx Rs. 2.5 crs in the Direct Plan - Dividend Reinvestment Option of the Fund. Since both the options i.e. growth option and dividend reinvestment option have similar characteristics i.e. in case of investment in growth option, the number of units remains same and the NAV per unit increases. However, in case of investment in dividend reinvestment option the number of unit increases, but total NAV would remain more or less same under both the options. Further it was also submitted that the Fund had complied with the SEBI requirement in spirit and therefore SEBI taking serious view of the matter and issuing warning to us is not warranted and requested SEBI to review their decision.

Further, to comply with specific communication, the AMC has invested in the Growth Option of the Scheme, Motilal Oswal MOST Focused 25 Fund and we have frozen the relevant folios and are continuously monitoring the same.

**Following are the cases pertaining to Motilal Oswal Financial Services Ltd., holding company of Motilal Oswal Asset Management Company Ltd.**

- During the period May 2012 to December 2018, the NSE has levied penalties/fines on Motilal Oswal Securities Ltd. (MOSL), aggregating to Rs. 310147978/- on account of various reasons viz: non-submission of UCC details, short collection of margins & violation of market wide position limit in F&O segment, observations made during the course of inspections. However the aforesaid penalties/fines as levied by NSE have been duly paid.
- During the period May 2012 to December 2018, the BSE has levied penalties/fines aggregating to Rs. 2771385/- on account of various reasons viz: non-submission of UCC details, settlement of transactions through delivery versus payment, observations made during the course of inspections, etc. However the aforesaid penalties/fines as levied by BSE have been duly paid.



- During the period March 2018 to December 2018, the NCDEX has levied penalties/fines on Motilal Oswal Securities Ltd. (MOSL), aggregating to INR Rs. 2525977.2/- on account of Margin Shortfall Penalty. However the aforesaid penalties/fines as levied by NCDEX have been duly paid
  - During the period March 2018 to December 2018, the MCX has levied penalties/fines on Motilal Oswal Securities Ltd. (MOSL), aggregating to INR Rs. 18647351.82/- on account of various reasons viz: late/non submission of details pertaining to Enhanced Supervision, Margin Shortfall Penalty, etc. However the aforesaid penalties/fines as levied by BSE have been duly paid
  - During the period January 2013 to December 2018, the CDSL has levied penalties/fines on Motilal Oswal Securities Ltd. (MOSL), aggregating to INR 420657.66/- on account of reasons viz: non-collection of proof of identity of clients, deviation in following of transmission procedure etc; whereas penalty of INR 7523.90/-were levied by NSDL during the course of MOSL operations. However the aforesaid penalties/fines as levied by CDSL and NSDL have been duly paid
- (i) SEBI had pursuant to its investigation in the Initial Public Offering (IPO) of Vaswani Industries Ltd. (VIL) had observed that there were large scale of bids withdrawals and cheques were not banked along with bids applications or cheques returned or payment were stopped in the RII and NII categories. SEBI, for the purpose of further analysis has shortlisted Motilal Oswal Securities Limited (“MOSL”) along with other sub-syndicate members and called upon to show cause as to why action should not be taken under Regulation 25 and 27 of SEBI (Intermediaries) Regulation, 2008.. The said Show Cause Notice dated March 21, 2013. has been issued alleging that MOSL have violated the provisions of Section 12 A (a), (b) and (c) of the Securities and Exchange Board of India Act, 1992, Regulation 3 (b) and (d), 4 (1), 4 (2) (a) and (b) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and Clause 6 (a) of Schedule XI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. MOSL vide its letter dated April 30, 2014, has replied to the above said show cause notice. Subsequent to MOSL submission, SEBI vide its letter dated November 25, 2014, has concluded the said proceedings in the matter with an advice to be careful in future.
- (ii) SEBI had pursuant to its investigations in the scrips Pyramid Samira Theatre Ltd. had restrained Mr. Shailesh Jayantilal Shah, Mr. Rajesh Jayantilal Shah and Ms. Ritaben Rohitkumar Shah from buying, selling or dealing in the securities market. SEBI had observed that MOSL and some other brokers have executed trades on behalf of above three clients after debarment order and SEBI through its notice has called upon to show cause dated April 23, 2009 as to why further action under SEBI (Intermediaries)

Regulations, 2008 should not be taken against MOSL for alleged violation of the provisions of Regulation 27 (xv) and 27 (xvii) r/w Regulations 26 (xv) of the Broker Regulations and clauses A (1), A (2) and A (5) of the Code of Conduct for Brokers as specified in Schedule II under Regulation 7 of the Broker Regulations. MOSL has explained to SEBI the reasons for such occurrence and requested SEBI to drop further proceedings in the matter. SEBI vide its order dated December 7, 2015 had issued warning and has closed the proceedings in the matter.

- (iii) SEBI vide its letter dated April 29, 2014 in the matter of Mr. CR Mohanraj, notified MOSL about the appointment of an Adjudicating Officer to hold an inquiry and adjudge violation of SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992, and issued a Show Cause Notice as to why an inquiry should not be held against MOSL (under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with section 15-I of SEBI Act, 1992) and why penalty should not be imposed (under section 15HB of the SEBI Act, 1992). The Show Cause Notice alleged that MOSL had violated Regulation 18 and Clause A(1), A(2), A(4), A(5), B(4)(a), B(4)(b) and B(7) of the Code of Conduct for Stock Brokers (as specified under Scheduled II read with Regulation 9(f) of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and SEBI Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004). In response, MOSL requested for an opportunity to inspect all the documents and records relied upon by SEBI, but were provided with (a) an incomplete set of documents; and (b) illegible duplicates of some of the documents without the originals.

Notwithstanding the foregoing, MOSL refuted the allegations in its letter of March 12, 2015 to SEBI on the grounds that the client's shares were sold only with his consent, which is evidenced from (a) his voluntary signing of the Member Client Agreement which granted MOSL the authority to deal in the Capital Market, Futures and Options, and Derivatives segments of the securities market on the client's instructions; (b) his signing of numerous Delivery Instruction Slips for transferring shares from his demat account to MOSL as collateral for trading; and (c) the periodic receipt of electronic contract notes and accounting statements sent by MOSL to the client. MOSL also highlighted that the client had failed to bring the alleged irregularities and discrepancies to the MOSL's attention within the stipulated 24-hour period. After hearing the matter, SEBI vide its order EAD-12/ AO/SM/ 145 /2017-18 dated January 11, 2018 imposed penalty of Rs. 2,00,000/- ( Rupees Two Lakhs Only), stating that MOSL did not take proper care in securing the important document which was misplaced and could not be traced.

Note: Pursuant to the scheme of amalgamation Motilal Oswal Securities Limited (MOSL) has been merged with Motilal Oswal Financial Services Ltd (MOFSL) whereby all the assets and liabilities of MOSL including its business and investments have been transferred to MOFSL w.e.f. August 21, 2018.