



Pramerica

MUTUAL FUND

DHFL Pramerica Asset Managers Private Limited

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NOTICE CUM ADDENDUM [NO. 12 OF 2019-20]

NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENTS ('SIDs') AND KEY INFORMATION MEMORANDUMS ('KIMs') OF THE SCHEMES ('THE SCHEMES') OF DHFL PRAMERICA MUTUAL FUND

Unitholders are requested to note that, in order to simplify and rationalize product offerings and in the interest of the investors, DHFL Pramerica Asset Managers Private Limited ('DHFL Pramerica AMC') and DHFL Pramerica Trustees Private Limited ('DHFL Pramerica TC'), the asset management company and trustee company of DHFL Pramerica Mutual Fund ('DHFL Pramerica MF') have decided to make changes to the schemes of DHFL Pramerica MF as under:

MERGER OF SCHEMES/ PLANS/OPTIONS OF SCHEMES OF DHFL PRAMERICA MF

The Board of Directors of DHFL Pramerica AMC and DHFL Pramerica TC have approved the merger of the below referred a) Schemes, b) Discontinued plans/options and c) Dividend options of schemes of DHFL Pramerica MF:

A. Merger of schemes of DHFL Pramerica MF:

Table with 3 columns: Scheme Getting Merged, Scheme with which Transferor Scheme is proposed to be merged, Surviving Schemes and Type of Schemes. Rows include DHFL Pramerica Hybrid Debt Fund, DHFL Pramerica Tax Plan#, DHFL Pramerica Long Term Equity Fund, etc.

Please refer to Exhibit 1 of the letter sent to the unitholders ('Letter') for details pertaining to the Transferor Schemes and the Transferee Schemes to be provided to you as per the SEBI (Mutual Fund) Regulations, 1996 ('MF Regulations').

B. Merger of certain plans/options under various schemes of DHFL Pramerica MF:

Large table with 3 columns: Scheme Name, Name of the Transferor Plans/Options, Name of Transferee Schemes/Plans/Options under which Transferor Plans/Options will be merged. Lists various fund types like Ultra Short Term, Insta Cash, Low Duration, etc.

C. Renaming of certain options of schemes of DHFL Pramerica MF:

Table with 3 columns: Scheme Name, Existing Name options, New Name options. Shows renaming of dividend options for Banking & PSU Debt Fund and Hybrid Equity Fund.

It may be noted that wherever the Distributor Code is Direct, or not mentioned, such balances if any, will be merged into the Direct Plan. Investments made through distributors with wrong/invalid/incomplete ARN codes will be merged into the 'Direct plan'. Only investments with valid ARN codes will be merged into the 'Regular Plan'.

CONSEQUENCES OF MERGER

Please note that post the proposed merger of Transferor Schemes/Plans/Options with the Transferee Schemes/Plans/Options, on and from the Effective Date, the Transferee Schemes/Plans/Options will be the surviving schemes and the investment objective, investment pattern, annual recurring expense structure and all the other provisions of the Transferee Schemes/Plans/Options as contained in the Scheme Information Document and Key Information Memorandum on completion of merger will be effective for the unit holders of the Transferor Schemes/Plans/Options. It may be noted that there are no other changes in the schemes. Effective Date means the date on which the units of 'Transferee Scheme' will be allotted to investors of the 'Transferor Scheme'.

As a result of the above merger, no new scheme/plan/option will come into effect. On the date of completion of merger, the Transferor Schemes/Plans/Options will cease to exist and the unit holders of Transferor Schemes/Plans/Options as on the Effective Date will be allotted units under the corresponding/other available option of Transferee Schemes/Plans/Options at the last available applicable Net Asset Value ('NAV') or at the Face Value, in case there are no units in the corresponding/other available option of Transferee Scheme. In case of any balance in the bonus option(s) of any plan, unit holder will be allotted units under the growth option of relevant plan. In case of any pledge/lien/other encumbrance marked on any units in Transferor Schemes/Plans/Options, the same shall be marked on the corresponding number of units allotted in Transferee Schemes/Plans/Options.

The expenses related to the proposed merger as outlined above will not be charged to the unit holders of the merging schemes/plans/options.

WRITING OF CALL OPTIONS IN SCHEMES OF DHFL PRAMERICA MF

SEBI vide its circular no. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019 has modified its Circular no. Cir/IMD/DF/11/2010, dated August 18, 2010 and has permitted mutual funds to write call options under a covered call strategy.

The Boards of Directors of DHFL Pramerica AMC and DHFL Pramerica TC have approved the writing of call options in Schemes of DHFL Pramerica MF. In view of the same, following provisions shall be inserted in the Scheme Information Document (SID) of all open ended equity and hybrid Schemes of DHFL Pramerica MF:

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset.

A. Benefits of using Covered Call strategy in Mutual Funds:

The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the Scheme. The strategy offers the following benefits:

- a) Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.
b) Generating additional returns in the form of option premium in a range bound market.

Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction

B. Risks for writing covered call options for equity shares:

- a) Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced by writing covered call options.
b) The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement.
c) The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.
d) The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme.

This may restrict the ability of Scheme to buy any options.

C. Investment Restrictions for Covered Call Strategy:

Mutual Fund schemes (excluding ETFs and Index funds) can write Call options under a covered strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

- a) The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.
b) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
c) At all points of time the Mutual Fund scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.
d) In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities.
e) In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.
f) The premium received shall be within the requirements prescribed in terms of SEBI circular dated August 18, 2010 i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
g) The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph 3 of SEBI Circular no. Cir/IMD/DF/11/2010, dated August 18, 2010.
h) The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

CREATION OF SEGREGATED PORTFOLIO IN SCHEMES OF DHFL PRAMERICA MF

SEBI vide its Circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 has permitted creation of segregated portfolio of debt and money market instruments by schemes of mutual funds.

The Boards of Directors of DHFL Pramerica AMC and DHFL Pramerica TC have approved creation of segregated portfolio of debt and money market instruments in case of a credit event. In view of the same, following provisions shall be inserted in the Scheme Information Document (SID) of the Schemes of DHFL Pramerica MF:

The AMC may create a segregated portfolio of debt and money market instruments in a mutual fund scheme in case of a credit event and to deal with liquidity risk.

In this regard, the term 'segregated portfolio' shall mean a portfolio comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme and the term 'main portfolio' shall mean the scheme portfolio excluding the segregated portfolio. The term 'total portfolio' shall mean the scheme portfolio including the securities affected by the credit event.

A segregated portfolio may be created in a mutual fund scheme in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

- a. Downgrade of a debt or money market instrument to 'below investment grade', or
b. Subsequent downgrades of the said instruments from 'below investment grade', or
c. Similar such downgrades of a loan rating.

Risks associated with segregated portfolio:

- Investor holding units of segregated portfolio may not be able to liquidate their holding till the time recovery of money from the issuer.
Security comprises of segregated portfolio may not realise any value.
Listing of units of segregated portfolio in recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further trading price of units on the stock market may be significantly lower than the prevailing NAV.

In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level. Investors may please note that the detailed process to be followed for segregation of portfolios shall be stated in the Statement of Additional Information (SAI). A separate addendum to the SAI shall be published in this regard.

NOTICE AND EXIT OPTION TO UNIT HOLDERS

The Boards of Directors of DHFL Pramerica AMC and DHFL Pramerica TC at their meeting held on February 21, 2019 and April 23, 2019 have approved the above proposals for (1) Merger of schemes/plans/options, (2) Writing of call options under a covered call strategy in equity and hybrid schemes of DHFL Pramerica MF and (3) Creation of segregated portfolio of debt and money market instruments in case of a credit event. Further, SEBI, vide its letter no. OWP/P/2019/12494/1 and IMD/DF3/OW/P/2019/12494/2 dated May 17, 2019, has provided its no objection to the proposed changes as set out above.

As per MF Regulations and the relevant circulars, the merger of schemes/plans/options, writing of call options and creation of segregated portfolio (hereinafter referred as 'Fundamental Attributes Changes') amount to change in the fundamental attributes of the schemes concerned. Such Fundamental Attributes Changes can be carried out only after the unit holders of the concerned schemes have been sent written communication to provide them with an option of exiting the scheme within a period of 30 days at the prevailing net asset value ('NAV') without being charged an exit load ('Exit Option').

Accordingly, this Notice serves as a communication to the unit holders of schemes concerned about the Fundamental Attributes Changes as described above and each unit holder of Schemes concerned is hereby given an option to exit his/her/its investment in the scheme(s) of DHFL Pramerica MF at the prevailing NAV without exit load, if any.

The exit option will be available to all the unit holders of the concerned Schemes as per the records of Karvy Fintech Pvt. Ltd. (the 'Registrar'), as at the close of business hours on June 25, 2019. The option to exit without exit load can be exercised from June 29, 2019 to July 28, 2019 (both days inclusive) ('Exit Option Period') within the respective scheme cut-off timelines. All transaction requests received after July 28, 2019, will be subject to load, as may be prevailing at that time in the respective Schemes.

Redemption/Switch requests may be lodged at any of the Official Points of Acceptance of DHFL Pramerica MF by filling out the redemption/switch slip provided in the Letter to unit holders or by filling the transaction slips and submitting the same duly signed as per the mode of holding or through depository participant (in case of units held in electronic (demat) mode). For list of Official Points of Acceptance, please visit our website www.dhflpramericamf.com. The redemption payment will be made within 10 business days of receipt of valid redemption request to those unit holders who choose to exercise their Exit Option. Unit holders who have pledged/encumbered their units will not have the option to exit unless they procure a release of their pledges/encumbrances and appropriately communicate the same to DPMF/Registrar prior to submitting their redemption/switch requests during the exit option period. In case a lien is marked on units held by a unit holder or units have been frozen/locked pursuant to an order of a governmental authority or a court, redemption/switch out can be executed only after the lien/order is vacated/revoked within the Exit Option Period specified above.

Investors who have registered for Systematic Investment Plan (SIP) in the Transferor Schemes/Plans/Options and who do not wish to continue their future investments in the Transferee Schemes/Plans/Options must apply for cancellation of their SIP registrations.

If you have no objection to the proposed Fundamental Attributes Changes, no action needs to be taken by you. This offer to exit is merely an option and is not compulsory.

Please note that unit holders who do not opt for redemption on or before July 28, 2019 shall be deemed to have consented to Fundamental Attributes Changes as specified in this Notice.

CONTACT INFORMATION

In case you require any further information/assistance please contact: DHFL Pramerica Asset Managers Private Limited, 2nd floor | Nirton House | Dr. Annie Besant Road | Worli | Mumbai - 400 030. Telephone No.: 1800 266 2667 | E-mail: customercare@dhflpramericamf.in

Or,

Registrar Karvy Fintech Private Limited, Unit - DHFL Pramerica Mutual Fund, Skanda | 59, Pultanna Road | Basvanguadi | Bangalore - 560 004

This Notice-cum-Addendum forms an integral part of SIDs and KIMs of the relevant Schemes of DHFL Pramerica MF, as amended from time to time. All the other terms and conditions of SIDs and KIMs of the above-mentioned Schemes of the Mutual Fund will remain unchanged.

For DHFL Pramerica Asset Managers Private Limited (Investment Manager for DHFL Pramerica Mutual Fund) Sd/- Ajit Menon Chief Executive Officer

Place : Mumbai Date : June 26, 2019

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.