



**Notice cum Addendum to the Scheme Information Document (SID) and Key Information Memorandum (KIM) of Parag Parikh Long Term Equity Fund "the Scheme".**

**1. Re-categorisation of Parag Parikh Long Term Equity Fund as a Flexi Cap Fund and Change in the Name of the Scheme.**

**NOTICE IS HEREBY GIVEN THAT** in accordance with SEBI (Mutual Funds) Regulations, 1996 and SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020, the Board of PPFAS Asset Management Private Limited (Investment Manager to PPFAS Mutual Fund) and PPFAS Trustee Company Private Limited (Trustee to PPFAS Mutual Fund) have approved the following changes to the features of the Scheme. In view of the same, the below mentioned provisions will be inserted in the Scheme Information Document (SID) under the relevant section w.e.f. **January 13, 2021.**

Particulars	Existing	Revised
Scheme Name	Parag Parikh Long Term Equity Fund	Parag Parikh Flexi Cap Fund
Category of the Scheme	Multi Cap Fund- An open-ended equity scheme investing across large cap, mid cap, small cap stocks	Flexi Cap Fund- An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

**2. Creation of Segregated Portfolio**

**NOTICE IS HEREBY GIVEN THAT** in terms of SEBI vide its circular dated 28 December, 2018 (SEBI/HO/IMD/DF2/CIR/P/2018/160) read with its circular dated 07 November, 2019 (SEBI/HO/IMD/DF2/CIR/P/2019/127), has advised that portfolios by mutual fund schemes investing in debt and money market instruments should have provision in the concerned SID for creating portfolio segregation. In this regard, we wish to inform you that the Board of Directors of PPFAS Asset Management Private Limited (**'PPFAS AMC'**) & the Board of Directors of PPFAS Trustee Company Private Limited (**'PPFAS TC'**) have approved inclusion of following provisions of creation of segregated portfolio of debt and money market instruments in the Scheme Information Document (SID) of scheme of PPFAS Mutual Fund (PPFAS MF), Parag Parikh Long Term Equity Fund ('the Scheme') as follows:-

Accordingly, it is proposed to incorporate the following provisions in the SID of the Scheme:

**A. Introduction:**

Pursuant to SEBI circulars dated December 28, 2018 and November 07, 2019, Portfolio segregation helps in,

- Reducing Sharp fall in NAV of Schemes.
- Reducing Redemption pressure & liquidity risk,
- Safeguarding good quality papers & creating confidence in market, and
- Mitigating reputational risk.
- Accordingly, this policy is being laid down to comply with the SEBI instructions

**Segregated Portfolio:** The portfolio comprising of debt and money market instruments, which might be affected by a credit event and shall also include the unrated debt or money market instruments affected by actual default.

**Main Portfolio:** Scheme portfolio excluding segregated portfolio

**Total Portfolio:** Scheme portfolio including the securities affected by credit events.

**B. Need for segregated portfolio:**

While very stringent internal credit evaluation norms are being followed by AMC/Mutual Fund, the risk of credit downgrade in portfolio companies due to various factors cannot be ruled out. In the event of credit downgrade, the downgrade instrument generally become illiquid making it very difficult for the fund manager to dispose of such instrument/s. In such an event segregation of such an instrument from the main portfolio will prevent the distressed asset(s) damaging the returns generated from more liquid and better-performing assets of the portfolio. It also provides fair treatment to all existing, incoming and outgoing investors, as any recovery from the issuer in future would get distributed among those investors, who would have suffered a loss due to downgrade event.

**C. Credit Events:**

Segregated portfolio may be created, 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:

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

The most conservative rating shall be considered, if there is difference in rating by multiple CRAs, Creation of segregated portfolio shall be based on issuer level credit events as detailed at "Credit Events" and implemented at the ISIN level.

**Actual default** (for unrated debt or money market instruments)

In case of unrated debt or money market instruments, the actual default of either the interest or principal amount by the issuer.

On occurrence of any default, the AMC shall inform AMFI immediately about the actual default by the issuer. Subsequent to dissemination of information by AMFI about actual default by the issuer, the AMC might segregate the portfolio of debt or money market instruments of the said issuer.

**D. Risks associated with segregated portfolio**

The AMC / Trustee shall decide on creation of segregated portfolio of the Scheme in case of a credit event/ actual default at issuer level. Accordingly, Investor holding units of segregated portfolio may not able to liquidate their holding till the time recovery of money from the issuer. The Security comprised of segregated portfolio may not realise any value. Further, 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.

**E. Process of creation of segregated portfolio**

PPFAS AMC will decide on creation of segregated portfolio on the day of credit event/actual default and will seek approval of PPFAS TC. Post that PPFAS AMC will immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. PPFAS AMC will also disclose that the segregation shall be subject to trustee approval. Additionally, the said press release will be prominently disclosed on the website of the AMC. PPFAS AMC will ensure that till the time the trustee approval is received, which in no case shall exceed 1(one) business day from the day of credit event/actual default, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.

The segregated portfolio shall be effective from the day of credit event/actual default, post approval of PPFAS TC.

PPFAS AMC will issue a press release immediately post approval of PPFAS TC with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.

An e-mail or SMS will be sent to all unit holders of the concerned Scheme. The NAV of both segregated and main portfolio will be disclosed from the day of the credit event. All existing unit holders in the Scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.

No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, PPFAS AMC will enable listing of units of segregated portfolio on recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer request.

If the trustees do not approve the proposal to segregate portfolio, AMC shall issue a press release immediately informing investors of the same.

**F. Valuation and processing of subscription and redemptions**

The valuation will take into account the credit event and the portfolio will be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.

All subscription and redemption requests for which NAV of the day of credit event/actual default or subsequent day is applicable will be processed as per the existing circular on applicability of NAV. However, in case of segregated portfolio, applicability of NAV will be as under:

Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.

Investors subscribing to the Scheme will be allotted units only in the main portfolio based on its NAV.

In case, PPFAS TC does not approve the above valuation process, all subscription and redemption applications will be processed based on the NAV of total portfolio.

**G. Total Expense Ratio (TER) for segregated portfolio:**

AMC shall not charge investment and advisory fees on the segregated portfolio.

TER (including legal charges and excluding the investment and advisory fees) shall be charged pro- rata basis only on upon recovery of investment in the segregated portfolio. The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. The maximum TER limit shall be same as applicable to the main portfolio. TER in excess of limit shall be borne by AMC. However, the costs related to segregated portfolio shall in no case be charged to the main portfolio.

The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.

**H. Disclosure requirements**

A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event will be communicated to the investors within 5 working days of creation of the segregated portfolio. Further, adequate disclosure of the segregated portfolio will also appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the Scheme. Further, the NAV of the segregated portfolio will be declared on daily basis.

The information regarding number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisements, AMC and AMFI websites, etc. The scheme performance required to be disclosed at various places will include the impact of creation of segregated portfolio. The scheme performance will clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, will be disclosed as a footnote to the scheme performance. These disclosures regarding the segregated portfolio will be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.

The investors of the segregated portfolio will be duly informed of the recovery proceedings of the investments of the segregated portfolio and status update will be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities. Upon recovery of money, whether partial or full, it will be immediately distributed to the investors in proportion to their holding in the segregated portfolio.

**I. Monitoring by Trustees**

In order to ensure timely recovery of investments of the segregated portfolio, Trustees will ensure that, PPFAS AMC puts in sincere efforts to recover the investments of the segregated portfolio. Upon recovery of money, whether partial or full, it will be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio. Further, an Action Taken Report (ATR) on the efforts made by PPFAS AMC to recover the investments of the segregated portfolio will be placed in every Trustee meeting till the investments are fully recovered/ written-off.

The Trustees will monitor the compliance of this circular and disclose in the half-yearly trustee reports filed with SEBI, the compliance in respect of every segregated portfolio created.

In order to avoid mis-use of segregated portfolio, trustees will ensure that there is a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

Creation of segregated portfolio will be optional and at the discretion of PPFAS AMC.

Apart from above, all other features and terms & conditions of the Scheme will remain unchanged and all references to the above modifications shall be suitably incorporated in the SID and KIM of the Scheme.

**Illustration of portfolio segregation**

**The below table shows how a security affected by a credit event will be segregated and its impact on investors**

Total Portfolio	Regular Plan	Direct Plan
Net Assets (A)	200.00	110.00
Units (B)	20.000	10.000
NAV per unit (A)/(B)	10.0000	11.0000

Assuming, the above portfolio has a security with market value of Rs. 20 which has got impacted by a credit event. Based on Trustees approval for segregation of portfolio, total portfolio would be split into main portfolio and segregated portfolio as given below:

Main Portfolio	Regular Plan	Direct Plan
Net Assets before Segregation (A)	200.00	110.00
Value of impacted security (B)	12.9040	7.0970
Net Assets after segregation (C) = (A) - (B)	187.0960	102.903
Units (D)	20.000	10.000
NAV per unit (C)/(D)	9.3548	10.2903

Segregated Portfolio	Regular Plan	Direct Plan
Value of impacted security segregated from Total Portfolio	12.9040	7.0970
Haircut @ 25%	3.226	1.774
Net Assets after Haircut (A)	9.678	5.323
Units (B)	20.000	10.000
NAV per unit (A)/(B)	0.4839	0.5323

Investor Holding	Regular Plan	Direct Plan
Net Assets in Total Portfolio	200.00	110.00
Net Assets in Main Portfolio	187.0960	102.903
Net Assets in Segregated Portfolio after Haircut*	9.678	5.323

\* Market value of investor holding will come down to the extent of haircut on the impacted security.

**Impact on investors:**

- Existing Investors:** All existing investors in the scheme as on the day of the credit event will be allotted equal number of units in the segregated portfolio as held in the main portfolio.
- New Investors:** Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
- Exiting Investors:** Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.

The above changes in the features of the Scheme constitute change in the Fundamental Attributes of the Scheme.

The Securities and Exchange Board of India vide its email dated December 07, 2020 has noted the above changes.

**J. Provisions related to Change in Fundamental Attributes / EXIT OPTION**

As the above proposals are a change in Fundamental Attributes of the Scheme, in accordance with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996, and pursuant to SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020 and SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 read with Circular no. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated 07 November, 2019 the existing unitholders (**i.e. whose names appear in the register of unitholders as on December 13, 2020 under the Scheme are hereby given an option to exit, i.e. either redeem their investments or switch their investments to any other schemes of PPFAS Mutual Fund, within the 30 days exit period starting from December 14, 2020 till January 12, 2021 (both days inclusive and upto 3.00 pm on January 12, 2021)**) at Applicable NAV, without payment of any exit load. The normal redemption form may be used for this purpose and submitted at any Investor Service Centers.

Unitholders who do not exercise the exit option on or before **January 12, 2021** would deemed to have consented to the proposed modification. **Kindly note that an offer to exit is merely optional and is not compulsory.**

All the valid applications for redemptions/switch-outs received under the schemes shall be processed at Applicable NAV of the day of receipt of such redemption/switch request, without payment of any exit load, provided the same is received during the exit period mentioned above. The redemption proceeds shall be dispatched within 10 (ten) business days of receipt of valid redemption request to those unitholders who choose to exercise their exit option. Redemption/switch-out of units from the schemes, during the exit period, may entail capital gain/loss in the hands of the unitholder. Similarly, Stamp duty as applicable will be levied and borne by the investor and in case of NRI investors, TDS shall be deducted in accordance with the applicable Tax laws, upon exercise of exit option and the same would be required to be borne by such investor only. Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure a release of their pledges/encumbrances prior to the submission of redemption/switch requests. Unitholders should ensure that any change in address or payout bank details required by them, are updated in fund's records before exercising the exit option.

In view of individual nature of tax implications, unitholders are advised to consult their tax advisors. If the units are held in dematerialized form, investors are requested to contact their Depository Participant for their transactions.

The updated Scheme Information Document (SID) & Key Information Memorandum ("KIM") of the Scheme containing the revised provisions shall be displayed on the website <https://amc.ppfas.com> immediately after completion of duration of exit option.

This addendum shall form an integral part of the SID & KIM of Parag Parikh Long Term Equity Fund all other features, terms and conditions as mentioned therein remained unchanged.

**For PPFAS Asset Management Private Limited  
(Investment Manager to PPFAS Mutual Fund)**

**Place: Mumbai**

**Date: 09th December 2020**

**Sd/-  
CEO and Director**

**Name of Mutual Fund: PPFAS Mutual Fund**

For more information please contact:

**PPFAS Asset Management Private Limited (Investment Manager for PPFAS Mutual Fund)**

**CIN No: - U65100MH2011PTC220623**

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**As part of Go-Green initiative, investors are encouraged to register/update their email ID and Mobile Number with us to support paper-less communication.**

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