DISCLOSURE DOCUMENT

LIC MUTUAL FUND ASSET MANAGEMENT LTD.
(FORMERLY KNOW AS LIC NOMURA MUTUAL FUND ASSET MANAGEMENT COMPANY LIMITED)

Under Regulation 14 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993

(i) The Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993 as amended from time to time.

(ii) The Purpose of the Disclosure Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging us as Portfolio Manager.

(iii) The Disclosure Document contains the necessary information about the Portfolio Manager, required by an investor before investing and the investor is advised to retain the document for future reference.

(iv) Detail of Principal Officer:

Name	:	**Mr. Dinesh Pangtey** Director
Address	:	**LIC Mutual Fund Asset Management Ltd.** Industrial Assurance Building 4th floor, Opp. Churchgate Station Mumbai-400 020
Contact No.	:	Tel No. 6601 6001 Fax No. 22843660
Email	:	ceo@licmf.com

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1. Disclaimer clause

The particulars of this Disclosure Document have been prepared in accordance with the SEBI (Portfolio Managers) Regulations 1993 and filed with SEBI. This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

Highlights:

- LIC Mutual Fund Asset Management Ltd. (LIC MF AM Ltd.), the AMC, holds the license from SEBI for offering Portfolio Management Services. The Portfolio Management Services are being offered by LIC MF AM Ltd.
- Investors under the Portfolio Management are not being offered any guaranteed returns.

2. Definitions:

In this Disclosure Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

Asset Management Company or AMC or Portfolio Manager or Company	LIC Mutual Fund Asset Management Limited. (LIC MF AM Ltd.) Incorporated under the Companies Act, 1956 and registered with SEBI to act as a Portfolio Manager in terms of SEBI (Portfolio Managers) Regulations, 1993 vide Registration No. INP000001694 dated April 18, 2006. Portfolio Manager means LIC MF AM Ltd. who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio Manager or otherwise) the management or administration of a portfolio of security or the funds of the client as the case may be.
AUM	Asset Under Management
Portfolio	Portfolio means the total holdings of securities belonging to any person/investor.
Discretionary Portfolio Management Services	Discretionary Portfolio Management Services means a Portfolio Management Services provided by the Portfolio Manager exercising its sole and absolute discretion to invest in respect of the Client's account in any type of security as per an Agreement relating to portfolio management and to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk.
Advisory Portfolio Management Services	It shall be in the nature of investment advisory and shall include the responsibility of advising on the portfolio strategy (asset allocation) and investment and disinvestment of individual securities on the clients portfolio
Non-discretionary Portfolio Management Services	Non discretionary Portfolio Management Services mean 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 to ensure that all benefits accrue to the Client's Portfolio.

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Investment Amount	The money or securities accepted by the Portfolio Manager from the Client in respect of which the portfolio management services are to be rendered by the Portfolio Manager.
NRI	Non-Resident Indian
Disclosure Document	This document issued by LIC MF AM Ltd. for offering portfolio management services, prepared in terms of Schedule V of the SEBI (Portfolio Managers) Amendment Regulations, 2002.
RBI	Reserve Bank of India established under Reserve Bank of India Act, 1934, as amended from time to time.
SEBI	Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.
Securities	Securities and Exchange Board of India established under **"Securities"** includes such securities as defined under the Securities Contracts (Regulation) Act, 1956 but the same shall not be limited to shares, stocks, bonds government (central, state, municipal or provincial) securities, warrants, options, futures, foreign currency, commitments, hedges, swaps or netting off, derivatives of all kinds, convertible and/or non convertible debentures, fixed and/or variable return investments, equity linked instruments, negotiable instruments including usance bills of exchange, deposits or other money market instruments, commercial paper, certificates of deposit, units of Unit Trust of India and Units or other instrument issued by any Mutual Funds, mortgage backed or other asset backed Securities issued by any institution and/or body corporate and/or corporation and/or trust, cumulative convertible preference shares issued by any incorporated company or body and Securities by whatever name called issued by any Government, Central or State for the purpose of raising pub loan as defined under the Pub Debt Act, 1944., Relief Bonds, Savings Bonds or any other capital or money market instruments that may be issued by any company/ corporation/ firm/ institution/ trust/ Government/ Municipality or the Reserve Bank of India, all money, rights or property that may at any time be offered or accrue (whether by rights, bonus, redemption, preference, option or otherwise) and whether in physical or dematerialized form in respect of any of the foregoing or evidence or representing rights or interest therein and any other instruments or investments as may be permitted by applicable law from time to time.
The Regulations	Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993 as amended from time to time.
The Agreement	The agreement executed between the Portfolio Manager and its clients in terms of Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993 and Amendment Regulations, 2002 issued by the Securities And Exchange Board of India.

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3. DESCRIPTION

i. History, Present Business and Background of the Portfolio Manager

LIC Mutual Fund Asset Management Ltd. is registered with SEBI as Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.

LIC MF AM Ltd., the Investment Managers to LIC Mutual Fund manages over Rs. 15,901.93 crore as on 30/04/2019.

ii. Promoters of the Portfolio Manager, Directors and their background:

(a) Promoters:

Life Insurance Corporation of India set up LIC Mutual Fund in June 1989. LIC Mutual Fund was constituted as a Trust in accordance with the provisions of Indian Trust Act 1882. LIC Mutual Fund consists of LIC Mutual Fund Trustee Pvt. Ltd. and LIC Mutual Fund Asset Management Ltd., which is the Investment Manager to LIC Mutual Fund.

LIC of India came into being on 1st September 1956 as an amalgamated entity after the nationalisation of 245 insurance companies. It has completed 62 years of existence and has achieved several milestones to transform itself into a global financial conglomerate.

LIC MF AM Ltd. has an authorised capital of Rs. 25 cr and issued paid up capital of ₹ 11 cr. The share holding pattern of LIC MF AM Ltd. is as below: -

Name of Shareholders	% of holding
LIC of India	45.00%
LIC Housing Finance Ltd.	39.30%
GIC Housing Finance Ltd.	11.70%
Corporation Bank	4.00%

The **Life Insurance Corporation of India**, founded in 1956, is the largest life insurance company in India and also the country's largest investor. It is fully owned by the Government of India. LIC of India has total assets of **Rs. 30,30,331.07 crores as on 31.12.2018.**

Headquartered in Mumbai, which is considered the financial capital of India, the Life Insurance Corporation of India currently has 8 Zonal Offices, 113 Divisional Offices and 2,048 Branches located in different cities and towns of India along with 1455 satellite offices and has a network of around 11,79,229 agents for soliciting life insurance business from the public.

LIC of India happens to be the largest player in the Indian life insurance market. Over its existence of around 62 years, Life Insurance Corporation of India, created huge surpluses, and contributes to India's GDP. It also operates in 14 other countries including Mauritius, Fiji, UK, Nepal, Sri Lanka, Singapore and many Gulf countries.

LIC Housing Finance Ltd is one of the largest Housing Finance Company in India. Incorporated on 19th June 1989 under the Companies Act, 1956, the company was promoted by LIC of India and went public in the year 1994. The Company launched its maiden GDR issue in 2004. The Authorized Capital of the Company is ₹150

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crores and its paid up Capital is ₹ 100.93 crores as on 31/03/2019. The Company is recognized by National Housing Bank and listed on the National Stock Exchange (NSE) & Bombay Stock Exchange Limited (BSE) and its shares are traded only in Demat format. The GDR's are listed on the Luxembourg Stock Exchange.

The main objective of the Company is providing long term finance to individuals for purchase / construction / repair and renovation of new / existing flats / houses. The Company also provides finance on existing property for business / personal needs and gives loans to professionals for purchase / construction of Clinics / Nursing Homes / Diagnostic Centres / Office Space and for purchase of equipments.

Corporation Bank was nationalized in 1980, Corporation Bank was the forerunner when it came to evolve and adapting to the financial sector reforms. In 1997, it became the Second Public Sector Bank in the country to enter capital market, the IPO of which was over- subscribed by 13 times. The Bank has many "firsts " to its credit - Cash Management Services, Gold Banking, m-Commerce, "Online" approvals for Educational loans, 100% CBS Compliance and more recently, its pioneering efforts to take the technology to the rural masses in remotest villages through low-cost branchless banking - Business Correspondent model. All of which symbolize the Bank's commitment to its customers to provide convenience banking. Started about 111 years ago in 1906, with an initial capital of just ₹ 5000, Corporation Bank has recorded ₹ 3,03,185 Crore mark in business and even far more, with over 9,955 service outlets across the nation, served by committed and dedicated 19,000 plus Corp Bankers. Proof of which is seen in its enviable track record in financial performance.

Presently, the Bank has a network of 2501 fully automated CBS branches, 3169 ATMs and 4724 Branchless Banking Units across the country. The Bank has Representative Offices at Dubai and at Hong Kong. The Bank has extended Branchless Banking units to 4724 villages and has issued Smart Cards to all account holders in these villages for enabling them to operate their accounts at their doorsteps through the Business Correspondents appointed by the Bank.

GIC Housing Finance Limited ("GICHF") was initially incorporated as 'GIC Grih Vitta Limited' on December 12, 1989. The name was changed to its present name vide a fresh Certificate of Incorporation issued on November 16, 1993. GICHF was formed with the objective of entering in the field of direct lending to individuals and other corporates to accelerate the housing activities in India. The primary business of GICHF is granting housing loans to individuals and to persons / entities engaged in construction of houses / flats for residential purposes. GICHF carried a vision for the future of Housing in India. And it is always believed at GICHF that its success and growth depend on its principles which are:

• To be a prominent Corporate Citizen in promoting housing activities through customer friendly finance Schemes with in a service oriented atmosphere.

• To consolidate and grow in a competitive environment reflecting the ethical standard of a good corporate citizen.

• To create Wealth and Reward Share holders.

GICHF was promoted by General Insurance Corporation of India and its erstwhile subsidiaries namely, National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited together with UTI, ICICI, IFCI, HDFC and SBI all of them contributing to the initial share capital.

GICHF has presence in 75 branches across the country for business. It has got a strong marketing team, which is further assisted by Sales Associates (SAs). It has tie-ups with builders to provide finance to individual borrowers. It also has tie-ups with corporates for various housing finance needs.

(b) Directors & their Background:

Following is the list of Board of Directors and their Background:

PROFILE OF DIRECTORS OF LIC MUTUAL FUND ASSET MANAGEMENT LTD. – As on 06th May 2019			
Name	**Age**	**Qualification**	**Brief Experience**
Shri. M. R. Kumar **chairman@licindia.com**	**57**	**B.Sc. Licentiate**	• Chairman – LIC of India (14/03/2019 – till date) • Zonal Manager In charge - LIC of India, Northern Zone, New Delhi (2017-2019) • Executive Director (Pension Group Schemes and social securities) - LIC of India (2015-2017) • Executive Director (Personnel and Industrial Relations Dept) - LIC of India (2012-2015) • Zonal Manager in Charge - LIC of India, North Central Zone, Kanpur (2011-2012) • Zonal Manager in Charge - LIC of India, Chennai (Dec 2010-Mar 2011) • RM(Marketing) - LIC of India, Chennai (April 2009 – Dec 2010)
Shri Vinay Sah **ceo@lichousing.com**	**58**	**M.Sc. (Statistics)**	• Managing Director & Chief Executive Officer – LIC Housing Finance Limited (12th April, 2017 till date) • Executive Director (Marketing & Product Development) – Life Insurance Corporation of India (2015-2017) • Zonal Manager (Western Zone) - Life Insurance Corporation of India, (2013 – 2015) • Zonal Manager (East Central Zone) - Life Insurance Corporation of India, Patna (2010 – 2013) • Director Zonal Training Centre - Life Insurance Corporation of India, Kolkata (2008 - 2010) • Chief Marketing – Life Insurance Corporation of India, Central Office, Mumbai (2007-2008)
Shri S K Mitra	**70**	**M. Sc.**	• Bank of India – Was part of

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skmitra@inbox.com		**(Mathematics), Master of Management Science, USA**	original team to set up the Merchant Banking Department in 1977. Dealt with Capital Market, Banking and Institutional lenders. • Standard Chartered Bank - Was part of original team to set up the Merchant Banking Department in 1978. Dealt with Capital Market, Banking and Institutional lenders, including overseas players. • American Express Bank - (1985 – 88) As Country Head, Investment & Corporate Banking dealt extensively with wide range of banking and capital market activities. • As Managing Director, GIC Asset Management Company (1990-94) was one of the early successful players in the Asset Management Industry. Was pioneer in tying up joint venture and setting up offshore Fund • As the Group Director, Financial Services, Aditya Birla Group, (1994- 2007), set up the very successful diversified financial services business and ran each of the verticals at various stages. Currently Advisor, Director of several reputed Corporate and NGOs. India correspondent for Asia Asset Management, Hong Kong
Shri Satish K Kamat **kamat.satish@gatewayhouse.in**	61	**B. Com., Chartered Accountant**	Shri Satish Kamat is a Chartered Accountant with thirty-seven years of corporate experience in finance and general management functions. He has worked With Mahindra Group since 1999s till 2017 in various senior positions and prior to that was the Finance Director of Cargill India and Corporate Treasurer of Glaxo India. He is associated with various "not for profit" organizations and currently on the Board of Indian Council on Global Relations – Gateway House, a public policy institution.
Shri Kailash Kumar Bang **kailash.bang@trivbang.com**	**53**	**B.Com., FCA, DISA (ICAI)**	Partner in Trivedi & Bang, Chartered Accountants, Hyderabad for the last 26 years, in the field of Audit & Taxation.
Shri Sanjay Achyutrao Muthal	**60**	**B.Sc., Master's in Business**	• Executive Director - RGF Executive Search India Private

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sanjaymuthal@gmail.com		**Management**	Limited (From 2013- till March 2017) • Managing Director - Nugrid Consulting (2008 – 2013) Head of HR for Piramal Healthcare & Group Companies (2004 – 2008)
Mrs. Neera Saxena **neera.saxena@gichf.com**	**56**	**M.Sc. (ENTOMOLOGY), A.I.I.I.**	• GIC Housing Finance Ltd.- Managing Director & CEO (August 2018 onwards) • General Manager – United India Insurance Co. Ltd. (July 2018) • Dy. General Manager – New India Assurance Co. Ltd. : Health Insurance/ Misc. Tech Dept. Head Office Mumbai (August 2018 to July 2018) • Regional Manager - New India Assurance Co. Ltd. – New India Center – Cooperage Road, Mumbai (May 2013 – August 2015) • Chief Manager - New India Assurance Co. Ltd., Head Office, Mumbai (May 2013) • Chief Manager – India International Insurance Pte Ltd., Singapore (August 2009 to May 2013) • Manager - India International Insurance Pte Ltd., Singapore (May 2009 to August 2009)
Shri Vijay Sharma **vs_ddg@yahoo.co.uk**	**65**	**Master's in history, LLB**	• Member and Vice Chairman- Income Tax Settlement Commission (ITSC) New Delhi. (May, 2012 - November, 2014) • Chief Commissioner of Income Tax (Administration) Bihar and Jharkhand - Income Tax Department, Patna (September 2011 - May, 2012) • Director General of Income Tax (Investigation) -Income Tax Department Bhopal. (April 2011 - August 2011) • Commissioner of Income Tax, Delhi-1 - Income Tax Department New Delhi (January 2008 - March 2011) • Deputy Director General (DDG) – Central Economic Intelligence Bureau (CEIB) New Delhi. (December 2005 - December 2007.
Mr. Dinesh Pangtey	**57**	**B.Sc.**	• Chief Executive Officer - LICHFL

ceo@licmf.com			AMC Ltd. (22.04.2016 - 30.04.2019) • Regional Manager (Pension & Group Schemes) Marketing - LIC of India, Mumbai (2015-2016) • Regional Manager (Marketing) - LIC of India, West Zone, Mumbai (2012-2015) • Regional Manager (Estate) Administration - LIC of India, West Zone, Mumbai (2010-2012) • Senior Divisional Manager (Marketing) - LIC of India, Delhi Divisional Office III (2008-2010)

iii. Top 10 Group companies/firms of the Portfolio Manager on Turn over basis:

Group Company	Turnover (Rs.)	As on
LIC of India	2,26,231.63 Crores	31.12.2018
LIC Housing Finance Ltd.	17,256.12 Crores	31.03.2019

iv. Details of the portfolio management services being offered: Discretionary /Non-discretionary / Advisory

The Portfolio Manager shall be acting in a fiduciary capacity with regard to the Client's account consisting of investments, accruals, benefits, allotments, calls refunds, returns privileges, entitlements, substitutions and/or replacements or any other beneficial interest including dividend, interest, rights, bonus as well as residual cash balances, if any (represented both by quantity and in monetary value). The Portfolio Manager shall be acting both as an agent as well as a trustee of all types of the Client's account.

I DISCRETIONARY SERVICES:

The Portfolio Manager will provide Discretionary Portfolio Management Services which shall be in the nature of investment management and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights etc. so that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per executed Agreement and make such changes in the investments and invest some or all the Client's account in such manner and in such markets as it deems fit would benefit the Client. The portfolio managers' decision (**taken in good faith**) in deployment of the Clients' account is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant acts, rules and regulations, guidelines and notifications in force from time to time.

II ADVISORY PORTFOLIO MANAGEMENT SERVICES:

The Portfolio Manager will provide Advisory Portfolio Management Services, in terms of the SEBI (Portfolio Manager) Regulations, 1993, which shall be in the nature of investment advisory and shall include the responsibility of advising on the portfolio strategy (asset allocation) and investment and disinvestment of individual securities on the clients portfolio, for an agreed fee structure and for a period hereinafter described, entirely at the Client's risk.

The Portfolio Manager shall be solely acting as an advisor to the portfolio of the client and shall not be responsible for the investment/ disinvestment of securities and / or administrative activities on the client's portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and/ or directives issued by the regulatory authorities and/ or the Client, from time to time in this regard.

III NON-DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES:

The Portfolio Manager will provide Non-discretionary Portfolio Management Services, as per express prior instructions issued by the Client from time to time, in the nature of investment advisory/consultancy/management, and may include the responsibility, as per client's instruction, of managing, renewing and reshuffling the Investment amount and portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights etc. so as to ensure that all benefits accrue to the Client's Portfolio for an agreed fee structure and for a definite described period, entirely at the Client's risk.

However the client will finally decide on its investments and the client's investment decision can never be called in question or shall not be open to review at any time during the currency of the agreement or any time thereafter. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines and notifications in force from time to time.

v. Minimum Investment Amount

The minimum amount to be invested under each service to be provided is ₹ 25,00,000/- (Rupees Twenty Five Lakhs only) for Equity and ₹ 1,00,00,000/- (Rupees One Crore only) for Debt.

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

i. All cases of penalties imposed by the Board or the Directions issued by the Board under the Act or Rules or Regulations made there under: A penalty of ₹ 1 Lakh each has been imposed on LIC MF AM Ltd. for violation of investment norms as per SEBI (Mutual Fund) Regulations, 1996 vide adjudication order dated 31/12/2002. The same has been paid by LIC MF AM Ltd. in February 2003.

ii. The nature of the penalty/direction: **NA**

iii. Penalties imposed for any economic offence and/or for violation of any Securities laws: **NIL**

iv. Any pending material litigation/legal proceedings against the Portfolio Manager/Key personnel with separate disclosure regarding pending criminal cases if any: **NIL**

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Note: All material cases having liability in excess of ₹ 5 Lakhs have been considered.

v. Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency: **NIL**

vi. Any enquiry/adjudication proceedings initiated by the Board against the Portfolio Manager or its Directors, Principal officer or employees or any person directly or indirectly connected with the Portfolio Manager or its Directors, Principal officer or employee, under the Act or Rules or Regulations made there under: **NIL**

5. SERVICES OFFERED:

i. Investment Objectives:

The Portfolio Manager provides discretionary investment services based on the mandate given by the Client and subject to the scope of investments as agreed upon by the Portfolio Manager and Client in the Agreement. The investment objectives of the portfolio of the Client will depend on the Clients' needs and risk appetite and will seek to get returns from capital appreciation and / or regular returns by investing in various types of securities.

ii. Type of services / products offered

Investment objectives may vary from client to client. The investment requirement of the client is understood and captured by the use of an investment profile. The investment profile captures the client's expectation of returns and risk tolerance. Further depending on the individual Client requirements and the client's specification captured in the profile, the portfolio manager will advise the client accordingly. The same is used to arrive at the appropriate portfolio for the client. Also, Portfolio Manager would continuously monitor the client's investments on an ongoing basis and keep in touch regularly with the client about their performance, which allows for fine-tuning of the financial strategy of the client in the complex investment environment. However with the express prior instructions issued by the Client from time to time, the portfolio manager will assist the client in managing, renewing and reshuffling the Investment amount and portfolio, buying and selling the securities, keeping safe custody of the securities and monitoring book closures, dividend, bonus, rights etc. so as to ensure that all benefits accrue to the Client's Portfolio for an agreed fee structure and for a definite described period, entirely at the Client's risk.

Value Equity+

Value Equity+ is a discretionary Equity product offered by LIC MF AM Ltd. Investment Objective of the product is to create long term capital appreciation through Equity investments for the clients. Minimum investment under the product is ₹ 25/- Lacs. Ideal investment period envisaged under the product is a minimum period of 3 years. There is no lock in period under this product. There are three profit strategies available under the product:

<u>Profit Protect Strategy:</u> Realised Profits on the sale of Equity Investments will be moved to Debt and Debt related instruments like money market mutual funds.

<u>Profit Reinvest Strategy:</u> Realised Profits on sale of investments will be reinvested in Equity and equity related investments

<u>Profit Pay-out Strategy:</u> The Portfolio Manager at his/her discretion will pay out the profits booked in the portfolio from time to time

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The performance of the portfolio will be benchmarked against S&P BSE 200 Index. Considering the composition of the portfolio the benchmark has been revised to S&P BSE Sensex.

The portfolio of each client may differ from that of the other client in the same portfolio strategy, as per the discretion of the Portfolio Manager. The Client may give informal guidance to customize the portfolio strategy, however the final decision rests with the Portfolio Manager. This being an Equity product, the risk profile would be medium to high. As of now, there would be 'Nil' exposure in derivatives in the investment of the said product.

iii. Policies including the types of securities on which Portfolio Manager will generally advise:

The same shall be always subject to the scope of investment objective as agreed upon between the Portfolio Manager and the Client in the Agreement.

Investment approach for Equity

The investment approach would vary depending upon the specific requirements of the client. The broad investment style portfolio is outlined below:

a) Diversified Portfolio

The Portfolio Manager shall endeavor that the portfolios are invested in baskets of stocks with no undue concentration in any stock or sector.

b) Investment Style

The Portfolio Manager typically looks to invest in stocks which offer growth or an upside on account of a potential re-rating and which are available at reasonable valuations. The valuation measures typically used are P/E, Price/Book Value, EVA ratio etc.

c) Taking advantage of trading opportunities

Active management of the portfolio is essential in today's volatile and dynamic times. Many stocks are in a trading range for most part of the year. The Portfolio Manager will point out any trading opportunities available in the market to the client.

d) Using tactical asset allocation

The Portfolio Manager may move between asset classes i.e. equity and fixed income and cash depending upon market conditions. This is done mainly with an objective of protecting capital when markets are uncertain or have a downward bias.

e) Use of derivatives

The portfolio manager may use derivatives with an objective of either hedging and / or balancing the portfolio. By the use of derivatives for the purpose of hedging, the Portfolio Manager attempts to protect the portfolio especially when markets are uncertain or have a downward bias.

Investment approach for Debt:

The approach to debt investments is primarily guided by the interest rate movements in the market. While following a bottom up approach to investments in debt papers due care is taken to reduce credit risk, liquidity risk and risk spreads. Further, as the debt instruments are not standardized, adequate analysis is done to understand the structure of the instruments and the risk-return potential before taking an investment decision.

Investment approach for Mutual Fund Schemes:

The approach to Mutual Fund investment is primarily guided by the consistent performance of the scheme with low volatility and also keeping in view structure of the scheme and the risk appetite of the client.

Type of securities:
Subject to the investment objectives chosen by the Client, the Portfolio Manager shall manage the Client's Account by investing in such capital and money market instruments or in fixed income securities or other securities of any description including: -

- Equity and Equity related securities, Convertible Stock and Preference Shares of Indian Companies
- Debentures, Bonds and Secured Premium Notes, Swaps, Options, Futures, Tax-exempt Bonds of Indian Companies and Corporations
- Government and Trustee Securities;
- Units, Magnums and other instruments of Mutual Funds
- Bank Deposits
- Treasury Bills
- Commercial Papers, Certificates of Deposit and other similar Money Market instruments; and
- Derivatives, both equity & fixed income as permitted under the Regulations
- Other eligible modes of investment and/or forms of deployment within the meaning of the Regulation issued by SEBI as amended from time to time (hereafter collectively referred to as "Securities")

Asset Classes for deployment shall be always subject to the scope of investments as agreed upon between the Portfolio Manager and the Client in the Agreement.

iv. **The policies for investments in associates/ group companies of the Portfolio Manager and the maximum percentage of such investments therein subject to the applicable laws / regulations / guidelines**

The Portfolio Manager will, before advising the client in investing in the securities of associate/ group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Portfolio.

6. RISK FACTORS:

- Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Service will be achieved.
- Past performance of the Portfolio Manager in a portfolio may or may not be sustained in the future **and does not indicate the future performance of the same service in future or any other future service of the portfolio manager.**
- Investors are not being offered any guaranteed or assured return/s i.e. either of Principal or appreciation on the portfolio as the Investments are subject to market risks.
- Investors may note that Portfolio Manager's investment in specific securities investments, investment strategy and asset allocation for achieving investment objectives may not be always profitable, as actual market movements may be at variance with anticipated trends.
- The valuation of the Portfolio's investments, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other relevant policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.

- Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Portfolio. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well developed and liquid secondary market for securities would result, at times, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.

- The Portfolio Manager may, consider the overall level of risk of the portfolio, advice to invest in lower rated/ unrated securities offering higher yields. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.

- Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. The Portfolio Manager may invest in unlisted securities that offer attractive yields. This may however increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.

- While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges. Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Portfolio(s) and may lead to the investment(s) incurring losses till the security is finally sold.

- Interest Rate Risk: As with all debt securities, changes in interest rates may affect valuation of the Portfolios, as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than do short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the valuations of Portfolios.

- *Liquidity or Marketability Risk:* This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.

- *Credit Risk:* Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities, which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

- *Settlement Risk:* It refers to risk of default by counterparty during settlement of trade. This risk arises as soon as an institution makes the required payment until the balance part of the transaction is settled.

- *Reinvestment Risk:* This risk refers to the interest rate levels, at which cash flows received from the securities under a particular Portfolio are reinvested. The additional income from

LIC MUTUAL FUND ASSET MANAGEMENT LIMITED reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.

- The Investment activity is exposed to various types of risks as referred above in "Risk Factors". The client unconditionally understands and agrees that the non-discretionary investment being made under this agreement to carry out investment objective of the respective scheme, have an inherent risk and the client shall under no circumstances whatsoever considered / hold the Portfolio Manager liable in a manner whatsoever as a result of services / transaction / investments made including for non-diversification.

- The Portfolio Manager may invest in various derivative products as permitted by the Regulations. Use of derivatives requires an understanding of not only the underlying instrument but also of the derivative itself. Other risks include, the risk of miswriting or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

- The Portfolio Manager may invest in derivatives instruments like Stock Index Futures, Interest Rate Swaps, Forward Rate Agreements or other derivative instruments, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Portfolio to certain risks inherent to such derivatives.

Risks attached with the use of derivatives:

As and when there is a trade in the derivatives market 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 analysis 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. However, there is adequate redressal mechanism to resolve the matter. 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. Also, the market for derivative instruments is nascent in India.

Trading in derivatives

SEBI in terms of Securities and Exchange Board of India (Portfolio Managers) Amendment Regulations, 2002, has permitted all the Portfolio Managers to participate in the derivatives trading subject to observance of guidelines issued by SEBI in this behalf. Pursuant to this, the Portfolio Managers may use various derivative and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance the Clients' interest.
Accordingly, the Portfolio Manager may invest in derivatives instruments like Stock Index Futures, Options on Stocks and Stock Indices, Interest Rate Swaps, Forward Rate Agreements or other such derivative instruments as may be introduced from time to time, as permitted by SEBI.

The following information provides a basic idea as to the nature of the derivative instrument's investment and the benefits and risks attached there with.

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i) <u>Index Futures:</u>

Benefits

a) Investment in Stock Index Futures can give exposure to the index without directly buying the individual stocks. Appreciation in Index stocks can be effectively captured through investment in Stock Index Futures.

b) One can sell futures to hedge against market movements effectively without actually selling the stocks it holds. The Stock Index futures are instruments designed to give exposure to the equity market indices. The National Stock Exchange has started trading in index futures of 1, 2 and 3-month maturities. The pricing of an index future is the function of the underlying index and interest rates.

Illustration:

Spot Index: 1070
1 month Nifty Future Price on day 1: 1075
Investor buys 100 lots
Each lot has a nominal value equivalent to 200 units of the underlying index
Let us say that on the date of settlement, the future price = Closing spot price = ₹ 1085
Profits for the Portfolio = (1085-1075)* 100 lots * 200 = ₹ 200,000
Please note that the above example is given for illustration purposes only.

The net impact for the Portfolio will be in terms of the difference between the closing price of the index and cost price (ignoring margins for the sake of simplicity). Thus, it is clear from the example that the profit or loss for the Portfolio will be the difference of the closing price (which can be higher or lower than the purchase price) and the purchase price. The risks associated with index futures are similar to the one with equity investments. Additional risks could be on account of illiquidity and hence mispricing of the future at the time of purchase.

ii) <u>Buying options:</u>

Benefits of buying a call option:

Buying a call option on a stock or index gives the owner the right, but not the obligation, to buy the underlying stock / index at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

Illustration:

For example, if the investor buys a one month call option on Company 'A' at a strike of ₹ 150, the current market price being say ₹151. The Investor will have to pay a premium of say ₹ 15 to buy this call. If the stock price goes below ₹ 150 during the tenure of the call, the investor avoids the loss it would have incurred had it straightaway bought the stock instead of the call option. The investor gives up the premium of ₹ 15 that has to be paid in order to protect the Portfolio from this probable downside. If the stock goes above ₹ 150, it can exercise its right and own Company 'A' at a cost price of ₹ 150, thereby participating in the upside of the stock.

Benefits of buying a put option:

Buying a put option on a stock originally held by the buyer gives him/her the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

Illustration:

For example, if the portfolio owns Company 'B' and also buys a three month put option on Company 'B' at a strike of ₹ 150, the current market price being say ₹ 151. The Investor will have to pay a premium of say ₹ 12 to buy this put. If the stock price goes below ₹150 during the tenure of the put, the investor can still exercise the put and sell

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the stock at ₹ 150, avoiding therefore any downside on the stock below ₹150. The investor gives up the fixed premium of ₹12 that has to be paid in order to protect the Portfolio from this probable downside. If the stock goes above ₹150, say to ₹ 170, it will not exercise its option. The investor will participate in the upside of the stock, since it can now sell the stock at the prevailing market price of ₹ 170.

iii) Writing options:

(a) **Benefits of writing an option with underlying stock holding** (Covered call writing) Covered call writing is a strategy where a writer (say the investor) will hold a particular stock, and sell in the market a call option on the stock. Here the buyer of the call option now has the right to buy this stock form the writer (the investor) at a particular price, which is fixed by the contract (the strike price). The writer receives a premium for selling a call, but if the call option is exercised, he has to sell the underlying stock at the strike price. This is advantageous if the strike price is the level at which the writer wants to exit his holding / book profits. The writer effectively gains a fixed premium in exchange for the probable opportunity loss that comes from giving up any upside if the stock goes up beyond the strike price.

Illustration:
Let us take for example Company 'C', where the Portfolio holds stock, the current market price being ₹ 3600. The investor holds the view that the stock should be sold when it reaches ₹ 3700. Currently the one month 3700 calls can be sold at say ₹ 150. Selling this call gives the call owner the right to buy from the portfolio, Company C at ₹ 3700.

Now the investor by buying / holding the stock and selling the call is effectively agreeing to sell Company 'C' at ₹ 3700 when it crosses this price. So the investor is giving up any possible upside beyond ₹ 3700. However, the returns on the Portfolio are higher than what it would have got if it just held the stock and decided to sell it at ₹ 3700. This is because the investor by writing the covered call gets an additional ₹ 150 per share of Company C. In case the price is below ₹ 3700 during the tenure of the call, then it will not be exercised and the investor will continue to hold the shares. Even in this case the returns are higher than if the Portfolio had just held the stock waiting to sell it at ₹ 3700.

(b) **Benefits of writing put options with adequate cash holding:**
Writing put options with adequate cash holdings is a strategy where the writer (say, the investor) will have an amount of cash and will sell put options on a stock. This will give the buyer of this put option the right to sell stock to the writer (the investor) at a pre-designated price (the strike price). This strategy gives the put writer a premium, but if the put is exercised, he has to buy the underlying stock at the designated strike price. In this case the writer will have to accept any downside if the stock goes below the exercise price. The writer effectively gains a fixed premium in exchange for giving up the opportunity to buy the stock at levels below the strike price. This is advantageous if the strike price is the level at which the writer wants to buy the stock.

Illustration:
Let us take, for example, that the investor wants to buy Company D at ₹ 3500, the current price being ₹ 3600. Currently the three-month 3500 puts can be sold at say ₹100. Writing this put gives the put owner the right to sell to the portfolio, Company D at ₹ 3500. Now the Writer by holding cash and selling the put is agreeing to buy Company D at ₹3500 when it goes below this price. The investor will take on itself any downside if the price goes below ₹ 3500. But the returns on the Portfolio are higher than what it would have got if it just waited till the price reached this level and bought the stock at ₹3500, as per its original view. This is because the investor by writing the

put gets an additional ₹ 100 per share of Company D. In case the price stays above ₹ 3500 during the tenure of the put, then it will not be exercised and the investor will continue to hold cash. Even in this case the returns are higher than if the Portfolio had just held cash waiting to buy Company D at ₹ 3500.

(iv) **Interest Rate Swaps and Forward Rate Agreements**

Benefits

Bond markets in India are not very liquid. Investors run the risk of illiquidity in such markets. Investing for short-term periods for liquidity purposes has its own risks. Investors can benefit if the Portfolio remains in call market for the liquidity and at the same time take advantage of fixed rate by entering into a swap. It adds certainty to the returns without sacrificing liquidity.

Illustration:

The following are illustrations how derivatives work:

Basic Structure of an Interest Rate Swap

Floating Interest Rate

Counter Party 1 ⟶

Counter Party 2

Fixed Interest Rate

In the above illustration

Basic Details	:	Fixed to floating swap
Notional Amount	:	₹ 5 Crores
Benchmark	:	NSE MIBOR
Deal Tenure	:	3 months (say 91 days)
Documentation	:	International Securities Dealers Association (ISDA)

Let us assume the fixed rate decided was 10%

At the end of three months, the following exchange will take place:

Counter party 1 pays : compounded call rate for three months, say 9.90%

Counter party 2 pays fixed rate : 10%

In practice, however, the difference of the two amounts is settled. Counter party 2 will pay :

₹ 5 Crores *0.10%* 91/365 = ₹ 12,465.75

Thus, the tradeoff for the investor will be the difference in call rate and the fixed rate payment and this can vary with the call rates in the market. Please note that the above example is given for illustration purposes only and the actual returns may vary depending on the terms of swap and market conditions.

7. CLIENT REPRESENTATION:

i.

Category of Clients	No. of Clients	Funds Managed (₹ in crores)	Discretionary/Non Discretionary
Associate/Group Companies			
As on 30/04/2019	1	1121.65	Discretionary
As on 31/03/2019	1	1114.08	Discretionary
As on 31/03/2018	1	1000.20	Discretionary
As on 31/03/2017	1	896.31	Discretionary
Others			
As on 30/04/2019	24	350.13	Discretionary
As on 31/03/2019	24	347.83	Discretionary
As on 31/03/2018	31	343.17	Discretionary
As on 31/03/2017	25	387.07	Discretionary

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ii. Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.

i) Related parties for the financial year 2017-18:

Particulars	Relationship
Life Insurance Corporation of India (LIC)	Associate
LIC Housing Finance Limited *	Associate
Sarojini Dikhale, Chief Executive Officer (up to 24th April, 2017)	Key Management Personnel
Raj Kumar, Chief Executive Officer (w.e.f. 28th April, 2017)	Key Management Personnel
Pawan Baheti, Chief Financial Officer	Key Management Personnel
Mayank Arora, Company Secretary	Key Management Personnel

* No transactions during the year

ii) The related party transactions are as under:

Amount in Rs.

Particulars	As at March 31,	
	2018	**2017**
Life Insurance Corporation of India (LIC)		
Transactions:		
Rent, rates and taxes & electricity charges	26,103,130	25,036,534
Scheme related expenses and other operating expenses	436,921	515,848
Contribution to provident and other funds	235,123	306,999
Gratuity	165,120	210,531
Insurance expenses	1,228,945	285,261
Receivables and deposits:		
Advance recoverable in cash or kind	855,217	992,623
Key Management Personnel (KMP)		
Transactions:		
Remuneration paid#	9,250,517	10,218,314

The above figures do not include liability towards gratuity and leave encashment as separate figure for KMP are not available. Perquisites have been valued in accordance with the provisions contained in the Income Tax Rules,1962.

8. THE FINANCIAL PERFORMANCE OF AMC (Based on audited financial statements)

(₹ in Lakh)

Particulars	Period ended 31/03/2018	Period ended 31/03/2017	Period ended 31/03/2016
Total Income	6001.43	5318.52	4190.54
Profit/(Loss) Before Tax	452.16	281.06	157.43
Less : Provision for Tax	-	180.02	-
Add: Tax provision written back pertaining to prior year	180.02		
Less : Provision for Wealth Tax	-	-	-
Deferred Tax Liability/(Asset)	-	-	-
Fringe Benefit Tax	-	-	-
Net Profit/(Loss)	632.18	101.04	157.43

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9. PORTFOLIO MANAGEMENT PERFORMANCE:

DISCRETIONARY PORTFOLIO MANAGEMENT

The performance of the Portfolio Manager since inception and for the last three years is calculated using **weighted average method in accordance with the Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.**

Returns (%)										
Client Name (Inception Date)	**Since Inception As on 30/04/2019**		**As on**							
			31/03/2019		**31/03/2018**		**31/03/2017**			
	Annualized Portfolio	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**	**Portfolio**	**Benchmark**		
Insurance Institute of India (III) (06/04/2010)	9.11%	N.A.	8.53%	N.A.	8.70%	N.A.	8.92%	N.A.		
National Skill Development Fund (NSDF) (29/07/2011)	9.02%	N.A.	8.23%	N.A.	7.89%	6.48%	8.74%	6.73%		
VALUE EQUITY + (05/08/2014)	5.07%	11.95% S&P BSE SENSEX	5.13%	17.88%	3.69%	12.23%	16.25%	18.28%		

Notes:-

1) The roll-over agreement of III was executed on 05.04.2013 and roll –over was made effective from 05.04.2013. The agreement of III has been further renewed for five years from 06/04/2016.
2) All above returns are gross in nature.
3) The above returns are consolidated returns for all the clients of Value Equity + which are in existence as on 30th April 2019. The returns for each client may differ.
4) The hurdle rate for NSDF will be calculated annualized yield as simple average of 10 years G-sec for specific financial year.

PORTFOLIO ADVISORY SERVICES:

We have been awarded a mandate from Paradip Port Trust to provide advisory service for investment of their Surplus fund for a period of one year with effect from 15th September 2018. The services provided is only advisory in nature which is non-binding on the client.

10. NATURE OF EXPENSES:

The following are the general costs and expenses to be borne by the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services will form part of the terms agreed upon between the Client and Portfolio Manager in the PMS Agreement at the time of execution of the agreement.

i) Portfolio Management Fees:

The portfolio management fees relate to the portfolio management services offered to the Clients and will be as per the terms agreed upon between the client and the Portfolio Manager in the PMS agreement. The fees may be fixed charge **or** a percentage of the