

**DISCLOSURE DOCUMENT**

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**DISCLOSURE DOCUMENT FOR  
PORTFOLIO MANAGEMENT SERVICES**

- (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 and amendments thereto, as applicable.
- (ii) The purpose of the Disclosure Document is to provide essential information about the Portfolio Management Services (PMS) in a manner to assist and enable the investors in making an informed decision for engaging a Portfolio Manager.
- (iii) The Disclosure Document gives the necessary information about the Portfolio Manager required by an investor before investing, and the investor is also advised to retain the document for future reference.
- (iv) Name of Principal Officer: Mr. Chandresh Kumar Nigam  
Address: Axis Asset Management Company Limited  
"Axis House", 1st Floor, C-2, Wadia International Centre,  
Pandurang Budhkar Marg, Worli,  
Mumbai – 400025  
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This Disclosure Document is dated April 16, 2018.

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## **1. DISCLAIMER**

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations 1993, and amendments thereto as applicable and has been filed with the Securities and Exchange Board of India (SEBI). The Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Disclosure Document.

## **2. DEFINITIONS**

For the purposes of this Disclosure Document, except as otherwise expressly provided or as the context or meaning thereof otherwise requires, the following words and expressions shall have the meanings assigned to them respectively hereinafter:

**“Act”** means the Securities and Exchange Board of India Act, 1992 (15 of 1992) as amended from time to time.

**“Chartered Accountant”** means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act.

**“Client”** means any individual, Hindu Undivided Family (HUF), partnership firm, association of person, body of individuals, body corporate, trust, statutory authority, or any other person who enters into an agreement with the Portfolio Manager for managing its portfolio.

**“Fund Manager” (FM)** means the individual/s appointed by the Portfolio Manager who manages, advises or directs or undertakes on behalf of the Client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be.

**“Net Asset Value”** means the fair market/ fair value of the assets in the Portfolio consisting of the aggregate of (a) the amount of cash in the Bank Account; and (b) the market value of Client Securities/ units of Mutual Funds computed in accordance with the methodology as set out in Clause 12, reduced by the amounts payable by the Client to the Portfolio Manager and all such fees, costs, charges payable by the Client in respect of the Portfolio which include but are not restricted to custodian fees, bank charges, stamp duty charges, legal charges, taxes and out of pocket expenses incurred in respect of the Portfolio.

**“Person directly or indirectly connected”** means any person being an associate, subsidiary, inter connected company or a company under the same management within the meaning of section 370(1B) of the Companies Act, 1956 or in the same group.

**“PMS Agreement”** means the contract entered between the Portfolio Manager and the client for the management of funds or securities of the client.

**“Portfolio”** means the total holdings of securities belonging to the client.

**“Portfolio Manager” (PM)** means Axis Asset Management Company Limited, a company incorporated under the Companies act, 1956, which has obtained a certificate of registration from SEBI to act as a Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, vide registration no. INP000003534.

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**“Principal Officer”** means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager.

**“Regulations”** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 including any modification or amendment thereof.

**“SEBI”** means the Securities and Exchange Board of India.

**“Securities”** means and includes securities as defined in Section 2 (h) of the Securities Contracts (Regulation) Act, 1956 and any amendments thereto.

**“Securities lending”** means securities lending in accordance with the Securities Lending and Borrowing Framework specified by SEBI.

The terms that are used but not defined herein, except where the context otherwise so requires, shall have the same meanings as are assigned to them under the Act or the Regulations.

### **3. THE PORTFOLIO MANAGER**

#### **(i) History, Present Business and Background of the portfolio manager**

Axis Asset Management Company Limited (Axis AMC), the Portfolio Manager, is a subsidiary of Axis Bank Limited. The Portfolio Manager was incorporated on January 13, 2009 in India.

Presently, Axis AMC is the investment manager to the schemes of Axis Mutual Fund (Certificate of Registration for the mutual fund and approval to act as investment manager to Axis Mutual Fund received on September 4, 2009). Axis Mutual Fund hopes to increase the usage of mutual funds by tapping into the rich brand equity of Axis Bank to reach out to the retail and corporate investors across a host of Indian towns.

Axis AMC will be guided by 3 principle beliefs that will serve as the bedrock for future growth.

#### **Enduring wealth creation**

Focus on sustainable wealth creation and therefore not just aim at short term fleeting investment opportunities.

#### **Long term relationships**

Focus on long term relationships with investors and stakeholders.

#### **Investor’s viewpoint**

The investor will always be the centerpiece around which Axis AMC will structure its communication.

## **PROMOTER**

### **Brief Profile of Axis Bank Limited**

The equity capital of the portfolio manager is held by Axis Bank Limited and Schroder Investment Management (Singapore) Ltd.

Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The Bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003.

The Bank's network at the end of 31st December 2017 spanned across 3,589 domestic branches and extension counters, and 13,977 ATMs spread across the country. The overseas operations of the Bank are spread over nine international offices with branches at Singapore, Hong Kong, Dubai (at the DIFC), Colombo and Shanghai; representative offices at Dhaka, Dubai, Abu Dhabi and an overseas subsidiary at London, UK. The international offices focus on corporate lending, trade finance, syndication, and investment banking and liability businesses.

### **Financial performance**

The Bank's Balance Sheet grew 11% YOY and stood at Rs.6,43,938 crores as on 31st December 2017. The Bank's Advances grew 21% YOY to Rs. 4,20,923 crores as on 31st December 2017. Retail loans grew 29% YOY to Rs. 1,93,296 crores and accounted for 46% of the Net Advances of the Bank. SME loans grew 27% YOY to Rs. 54,884 crores, much higher than in recent times, partly aided by lower base of Q3FY17. Corporate Credit grew 12% YOY to Rs. 1,72,743 crores and accounted for 41% of Net Advances. Corporate loan growth was led by 49% growth in working capital loans.

### **Brief Profile of Schroders and Schroder Investment Management (Singapore) Ltd (SIMSL)**

Schroders plc, the ultimate holding company of Schroders Group, is among the 100 largest companies listed on the London Stock Exchange and has a history of over 200 years. Schroders Group is a leading international asset management group managing investments of £447.0 billion (EUR 503.6 billion/US\$604.7 billion) as on 31 December 2017, on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

Schroders is a world-class asset manager consisting of over 140 legal entities operating in 29 countries across Europe, the Americas, Asia and the Middle East. Schroders has developed under stable ownership for over 200 years and long-term thinking that governs its approach to investing, building client relationships and growing its business.

Schroders has operated in Singapore since 1977 and SIMSL, a company wholly owned by the Schroders Group, was incorporated as an asset management company in 1992. SIMSL is one of the largest asset managers in Singapore. SIMSL has managed £25.31 billion (INR 2,185.55 billion) of assets as at 31 December 2017 on behalf of clients which include official

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institutions, pension funds, insurance companies, local statutory boards, government - linked companies, high net worth individuals and retail investors.

**DIRECTORS OF THE PORTFOLIO MANAGER AND THEIR BACKGROUND IN BRIEF**

The following table sets forth current details regarding the Portfolio Manager's Board of Directors:

<b>Name, Father's Name, Address and Occupation</b>	<b>Designation,</b>	<b>Age</b>	<b>Other Directorships</b>
1. Mr. T. S. Narayanasami Father's name: Tharmapuram Srinivasan Subramanian Designation: Non – Executive Director Occupation: Banker Address: Flat 1B, Lords Apartments, Satyadev Avenue, R. A Puram, Chennai – 600028		68	1) LICHFL Asset Management Co. Pvt. Ltd. 2) Indraprastha Medical Corporation Limited 3) Empee Hotels Limited 4) Siddhivinayak Advisory Services Private Ltd. 5) Raos Investments Private Ltd.
2. Mr. Ullal Ravindra Bhat Father's name: U V Krishna Bhat Designation: Non – Executive Director Occupation: Service Address: 3A – 203, Green Acres, Lokhandwala Complex, Andheri(W) Mumbai 400 053		66	1) Repro India Limited 2) Dalton Capital Advisors (India) Pvt. Ltd. 3) Subhkam Capital Ventures Private Limited 4) Edelweiss Asset Management Limited 5) Bluestreet Capital anagement Private Ltd. 6) The Karnataka Bank Ltd 7) Finaureus Technologies Pvt. Ltd. 8) Specialty Restaurants Limited 9) First Meridian Consulting LLP
3. Mr. P. Vijaya Bhaskar Father's name: Shri P. M. Rao Designation: Non – Executive Director Occupation: retired Address: Flat A 701, Navratan Apartments, Beside Ginger		62	1) Aditya Birla Health Insurance Company Limited 2) Religare Enterprises Limited 3) GMR Hyderabad International Airport Limited 4) IIFL Wealth Finance Limited 5) Paytm Payments Bank Limited 6) Metropolitan Clearing Corporation Of India Limited

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Hotel, Mahakali Caves Road, Andheri East Mumbai 400 093		7) Spandana Sphoorty Financial Limited 8)Religare Housing Development
4. Ms. Shikha Sharma  Father's name: Surendra Kumar Lakshaman Prasad Bharadwaj  Designation: Non – Executive Director and Chairperson  Occupation: Service  Address:  4402, South Tower, The Imperial, B.B. Nakashe Marg, Tardeo, Mumbai – 400 034	59	1) Axis Bank Limited  2) Axis Capital Ltd.
5. Mr. Ramesh Kumar Bammi  Father's name: Shanti Lal Bammi  Designation: Non – Executive Director  Occupation: Service  Address:  B-301, 3rd floor, Ashok Garden, T1, 180- /188, T. J. Road, Sewree, Mumbai – 400 015	63	Axis Securities Limited
6. Chandresh Kumar Nigam  Father's name : M B L Nigam  Designation : Managing Director and CEO  Occupation : Service  Address: D-3603, Ashok Tower, Lalbaug,Mumbai	49	NIL
7. Mr. Ashok Sinha	66	1) The Hospital & Nursing Home Benefits Association

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<p>Father's name : Upendra Narain Sinha</p> <p>Designation : Non – Executive Director</p> <p>Occupation : Service</p> <p>Address: Flat 18, 4th Floor, Kailash Bldg. 50, Pedder Road, Mumbai 400026</p>		<p>2) Cipla Limited</p> <p>3) 4 I Advisors</p> <p>4) Tata Advanced systems Limited</p> <p>5) Tata Lockheed Martin Aerostructures Ltd.</p> <p>6) Nova Integrated Systems Ltd.</p> <p>7) Planning and Monitoring Board of Tata Institute of social sciences [Advisory Body]</p> <p>8) Air Asia India Ltd.</p> <p>9) You Broadband India Ltd.</p>
<p>8. Mr. Richard Anthony Mountford</p> <p>Fathers Name : Ronald Mountford</p> <p>Designation : Chief Executive Officer, Asia Pacific</p> <p>Occupation : Service</p> <p>Address: Finchampstead House, Finchampstead, Wokingham RG40 4JY, Wokingham, United Kingdom</p>	60	Nil

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**GROUP COMPANIES/ FIRMS OF THE PORTFOLIO MANAGER**

Given below are the group companies of the Portfolio Manager

<b>Name of company / firm</b>	<b>Address</b>	<b>Type of activity handled</b>	<b>Nature of interest of promoter /director</b>	<b>Nature of interest of company</b>
Axis Bank Limited	<b><u>Registered Office:</u></b> 'Trishul', 3 <sup>rd</sup> Floor, Opp. Samartheshwar Temple, Law Garden, Ellisbridge, Ahmedabad - 380006.  <b><u>Corporate Office:</u></b> "Axis House", First Floor, C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400025	Banking	Axis Asset Management Company Limited is a subsidiary of Axis Bank Limited.	Axis Asset Management Company Limited is a subsidiary of Axis Bank Limited. Axis Bank holds 75% (less one equity share of Axis AMC)
Axis Mutual Fund Trustee Limited	<b><u>Registered Office:</u></b> "Axis House", First Floor, C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400025	The company is the trustee to Axis Mutual Fund	Subsidiary of the promoter viz Axis Bank Limited	Axis Asset Management Company Limited has entered into an Investment Management Agreement with Axis Mutual Fund Trustee Limited to act as Investment Manager for Axis Mutual Fund
Axis Capital Limited	<b><u>Registered Office:</u></b> Axis House, 8 <sup>th</sup> Floor, C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025	Investment Banking and Institutional Broking	Wholly owned subsidiary of the promoter viz. Axis Bank Limited	None
Axis Private Equity Limited	<b><u>Registered Office:</u></b> "Axis House", C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400025	Managing Investments, venture capital funds and off shore funds	Wholly owned subsidiary of the promoter viz Axis Bank Limited	None
Axis Trustee Services Limited	<b><u>Registered Office:</u></b> 2nd floor, "Axis House", C-2, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400025	Debenture Trustee	Wholly owned subsidiary of the promoter viz Axis Bank Limited	None
Axis Bank U.K. Limited (formerly Axis UK Ltd.)	<b><u>Registered Office:</u></b> 4 Chiswell Street, (First Floor), London, England,	Banking Company	Axis U.K. Limited is a wholly owned subsidiary of Axis Bank Limited.	None

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Axis Finance Ltd.	<b>Registered office:</b> Axis House, C-2, Wadia International Centre, P.B. Marg, Worli Mumbai, 400 025 India	Non - Banking Finance Company (NBFC)	Axis Finance Ltd is a wholly owned subsidiary of Axis Bank Limited.	None
Axis Securities Ltd	<b>Registered office:</b> 8th Floor, Axis House, C-2, Wadia International Centre P.B. Marg Worli Mumba, 400 025 India	Marketing of Retail Asset Products, Credit Cards and Retail Broking	Wholly owned subsidiary of the promoter viz Axis Bank Limited	None
A.Treds Ltd.	<b>Registered office:</b> Axis House, C-2 Wadia International Centre, P B Marg, Worli Mumbai Mumbai 400025	Setting up institutional mechanism to facilitate financing of trade receivables of MSME	Subsidiary of the promoter viz Axis Bank Limited. Axis Bank holds 67%.	None
Freecharge Payment Technologies Private Limited	Ground Floor, Plot No. 68 Okhla Industrial Estate, Phase-III New Delhi South Delhi DL 110020 IN	Operating payment system for semi closed prepaid payment instrument	Freecharge Payment Technologies Private Limited is a wholly owned subsidiary of Axis Bank Limited.	None
Accelyst Solutions Private Limited	2nd Floor, unit no. 205-206, Plot no. 1 Vaibhav Chambers, Bandra Kurla Complex Mumbai Bandra Suburban MH 400051 IN	Providing and facilitating online recharge/bill payment/coupon services, marketing platform for third parties, distribution of mutual funds and insurance.	Accelyst Solutions Private Limited is a wholly owned subsidiary of Axis Bank Limited.	None
Schroder Singapore Holdings Private Limited	<b>Registered office:</b> 138, Market Street #23-01 Capita Green Singapore 048946	Investments	Schroder Singapore Holdings Private Limited holds 25% + 1 equity shares in Axis AMC Limited.	None
Schroders plc	<b>Registered office:</b> 31 Gresham Street London	Holding Company	Schroders Plc. is the ultimate holding company of Schroder	None

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	EC2V England	7QA		Singapore Holdings Private Limited	
Schroder Administrati on Limited	<b>Registered office:</b> 31 Gresham Street London EC2V England	7QA	Holding Company	Schroder Administration Limited is a group company of Schroder Singapore Holdings Private Limited.	None
Schroder Internationa l Holdings Limited	<b>Registered office:</b> 31 Gresham Street London EC2V England	7QA	Holding Company	Schroder International Holdings Limited is a group company of Schroder Singapore Holdings Private Limited	None
Schroder Investment Manageme nt (Singapore) Ltd	<b>Registered Office:</b> 138, Market Street #23-01 Capita Green Singapore 048946		Fund management	Holding company of Schroder Singapore Holdings Private Limited	None
Schroders India Private Limited (in liquidation)	<b>Registered office:</b> 1209, Navjivan Society, Bldg. No. 3, Lamington Road, Mumbai Central, Mumbai - 400008		Investment Advisory	Schroders India Private Limited is an affiliated company of the holding company of Schroder Singapore Holdings Private Limited	None
Nippon Life Global Investors Singapore Limited (formerly known as Nissay Schroders Asset Manageme nt Asia Limited	<b>Registered office:</b> 138, Market Street # 22- 03 Capita Green Singapore 048946		Fund Management	Nippon Life Global Investors Singapore Limited (formerly known as Nissay Schroders Asset Management (Asia) Limited is an affiliated company of the holding company of Schroder Singapore Holdings Private Limited	None

**4. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS ETC AGAINST THE PORTFOLIO MANAGER (STATUS AS ON March 31, 2018).**

1. 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:

None

2. The nature of the penalty/ direction

Not Applicable

3. Penalties imposed for any economic offence and/or for violation of any securities laws

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 deficiencies in the system and operations of the Portfolio Manager observed by the Board or any regulatory agency.

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 Rules or Regulations made there under.

None

Axis Bank Limited is the promoter of the portfolio manager and being a listed banking entity holding various business licenses, either by itself or through its subsidiaries, is governed by regulators such as RBI and SEBI. These regulators have conducted reviews/ inspections on the operations of the Bank and/ or its subsidiaries in the regular course of business during which issues have been identified and communicated to the respective entities by the regulators. These have been duly responded to by the entities concerned and as confirmed by the management corrective actions, where necessary have been initiated.

**5. SERVICES OFFERED**

**i. DETAILS OF SERVICES BEING OFFERED BY THE PORTFOLIO MANAGER**

The Portfolio Manager broadly offers the following service:

**DISCRETIONARY SERVICES**

Under these services, the Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account. A PMS agreement outlining the details of services including the objectives, rights and responsibilities, fees and expenses, etc. is entered into with each Client separately.

Currently the Portfolio Manager offers following under Discretionary Management Services:

1. Fixed Income Portfolio
2. Diversified Equity Portfolio
3. Dynamic Balanced Portfolio
4. Equity-Linked Debentures
5. Open-ended Floor Protection Portfolio
6. Fundamental Factors Equity Portfolio
7. Axis Brand Equity Portfolio

**NON-DISCRETIONARY SERVICES**

Under these services, the Portfolio Manager manages the account in accordance with the directions and after obtaining permission of the Client. For such services, the Portfolio Manager would charge the client a fee for services rendered as laid out in the PMS Agreement.

**ADVISORY SERVICES**

Under these services, the Portfolio Manager shall provide investment advisory services to its clients on investments in general and specifically, if required by the client. The Portfolio Manager would charge the client a fee for services rendered as laid out in the PMS Agreement. The Portfolio Manager shall be solely acting as an advisor to the portfolio of the client and shall not be held responsible for the investment / divestment of securities and / or administrative activities on the clients 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.

**ii. INVESTMENT OBJECTIVES AND POLICIES / INVESTMENT PHILOSOPHY**

The general objective is to formulate and device the investment philosophy to achieve long-term growth of capital by investing in assets, which generate reasonable return and to ensure liquidity. The actual portfolio management style will vary in line with each client profile with regard to his risk tolerance levels and specific preferences or concerns (the specific objective based on the type of service will be as mentioned in the PMS agreement with the client).

The investment objective and investment approach of the existing portfolios offered are as follows:

**Fixed Income Portfolio**

The portfolio endeavors to generate optimal risk adjusted returns by investing in a diversified portfolio of debt and money market instruments. The portfolio manager will try to allocate the assets between various fixed income securities taking into consideration the prevailing interest rate scenario and the liquidity of the different instruments. After doing a thorough research on the general macroeconomic condition, political environment, systemic liquidity, inflationary expectations, corporate performance and other economic considerations the portfolio duration and credit exposures will be decided.

**Diversified Equity Portfolio**

Axis Asset Management believes in building long term wealth for clients through an actively managed equity portfolio. The cornerstones of the investment principles are: High Quality of the Portfolio, Absolute Return Focus and Risk Management.

The Diversified Equity Portfolio aims to deliver superior risk-adjusted returns through investments in equity markets.

The fund manager will pursue a bottom – up stock selection process investing in high quality businesses at reasonable valuations. Investments will be made in both large and mid-cap companies. The portfolio will consist of a blend of growth and value stocks. Investments will be made on the basis of a fundamental-driven research process. Risk management is embedded in the investment process.

**Dynamic Balanced Portfolio**

The Dynamic Balanced Portfolio aims to generate absolute returns in the long term by dynamically allocating assets between equity and fixed income instruments. In addition, the portfolio manager will actively manage the equity and fixed income components.

The Dynamic Balanced Portfolio aims to benefit from the appropriate asset allocation across equity and fixed income. Asset allocation plays an important role in determining the overall risk and returns of the portfolio.

In order to decide the asset allocation, the fund manager will evaluate the relative attractiveness of equity and bond markets. For equity valuation, various factors like price to earnings ratio, earnings growth, price/earnings to growth ratio and other variables affecting equity markets will be assessed. Bond valuation views will be based on yield curve, gilt yields, inflation, credit growth and other macro-economic variables. A regular review of the asset allocation will be done by the fund manager.

The fund manager will normally maintain a balanced mix of equity and fixed income instruments in the portfolio. However the fund manager will have the flexibility to change the asset allocation in favour of a specific asset class based on the expected performance of equity and fixed income markets.

The equity portion of the portfolio will follow a bottom – up stock selection process investing in high quality businesses at reasonable valuations. Equity investments will be a mix of growth and value stocks within both large and mid-cap segments. Investments will be made on the basis of a fundamental-driven research process.

The fixed income portfolio will be actively managed in order to generate optimal risk adjusted returns by investing in debt and money market instruments. The fund manager will take the fixed income exposure primarily through investments in debt and liquid schemes of mutual funds (including schemes of Axis Mutual Fund).

### **Equity Linked Debentures**

The product will be a structured product offering from Axis PMS. The portfolio will invest in debentures that offer a structured payout linked to equity market while offering full capital protection to investors.

Structured products allow investors to participate in non-linear pay-offs. Structured products offer a powerful method by which investors can take advantage of a specific view on the equity market while staying protected in case it doesn't play out. The portfolio manager will tie up with certain high-quality issuers of equity-linked debentures to offer the same to its investors. These debentures will be rated and listed on the stock exchange.

The pay-off structure will comprise those payoffs that reasonably reflect the portfolio manager's market expectations or that offer attractive risk-reward characteristics at any given point in time.

Given the nature of the product, it will be a fixed tenor structure, where the investors will have to hold onto the debentures till maturity to realize the pay-off structure that has been indicated. There is a potential for intermediate exit, but the same can happen at the available quote from the market which may be less than the fair value of the debenture. In any case for intermediate exits, the payoff calculation will not be applicable.

### **Open-ended Floor Protection Portfolio**

The investment will offer an algorithm based dynamic asset allocation portfolio to investors. The allocation will be made between equity and debt in such a manner that the portfolio tries to participate in the equity markets on the way up while working to protect a pre-defined floor on an on-going basis on the way down. The portfolio is designed as an open-ended portfolio with complete liquidity and transparency of NAV.

Investors are most at risk in the initial phase of their investment, before their money has had any cushion from market returns. Hence there is a need for a product that can provide on-going downside protection to the conservative investor in cases of market correction, but which still has the ability to participate in the equity upside in case the market performs well. The protection should be able to work immediately from the date of investment for it to be effective.

The portfolio uses the best-in-class CPPI algorithm to dynamically balance between equity and debt. The equity allocation can be made in index instruments such as ETFs, index funds or index futures. The debt allocation will be made in short duration instruments and is expected to largely be in money market mutual funds.

The portfolio will be set up to initially protect a defined floor for the investor. The floor can be reset in case the portfolio rises in value. Through this approach the portfolio is much more conservative in the initial stages, but gets a leeway to increase its equity allocation as it gets more in the money. There will be an absolute cap of 80% on the equity allocation at any time for the portfolio. Various alternate portfolios may be offered within this product which offers alternate floor protections to the investor.

### **Fundamental Factors Equity Portfolio**

The portfolio aims to generate capital appreciation by investing in a portfolio of companies where the weights of the stocks are determined by fundamental factors such as sales, cash flow, dividend and book value. Such an approach is distinct from the traditional approach of linking weightage to market capitalizations. The traditional market cap weighted approach is inefficient as overvalued stocks will have a higher weight compared to their fundamentals while undervalued stocks get a lower weight.

By determining weights on fundamental factors makes it less likely to get caught up in temporary valuation mis-pricing.

As the methodology weights companies on their fundamental size factors (such as sales, book value, dividend and cash flows), the portfolio will have a bias towards large cap companies.

### **Axis 'Brand Equity' Portfolio**

Axis 'Brand Equity' Portfolio is a compact portfolio investing in equity that endeavors to achieve long term capital appreciation through investment in companies with 'established and emerging brands.' The allocation will consist of best ideas within this space. While the portfolio will consist of bottom-up best ideas, portfolio construction will target reasonable diversification across sectors. Investments will be across market capitalizations.

The portfolio seeks to buy businesses with strong brands that provide:

- Sustainable competitive advantage
- Capable Management Team
- Good Corporate governance

The Portfolio Manager does not indicate any guarantee for capital/returns.

The performance will be benchmark to BSE 200 Index

### **TYPES OF SECURITIES**

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The Portfolio Manager/ Fund Manager shall invest in all such types of Securities (as defined in Section 2) and in all such securities/ instruments as permissible from time to time and in line with the mandate of the Client.

### **RESTRICTIONS IMPOSED BY CLIENT**

The Portfolio Manager shall not invest any part of the Portfolio in Securities of companies or bodies corporate in which the Client has specifically restricted investments in terms of the PMS Agreement.

### **RISK MANAGEMENT**

The portfolios shall be structured so as to keep risk at acceptable levels. This shall be done through various measures including:

- a) Diversification of portfolio according to the investment objective of the specific portfolio.
- b) Ongoing review of relevant market, industry, sector and economic parameters.
- c) Investing in companies, which have been extensively researched.

Besides, the asset allocation by the Portfolio Manager would be done keeping in view the investment objective, risk profile and investment horizon of the Client.

### **iii. POLICY FOR INVESTMENTS IN AND AVAILING SERVICES OF GROUP / ASSOCIATE COMPANIES**

The Portfolio Manager may utilize the services of the sponsor, group companies and / or any other subsidiary or associate company of the sponsor established or to be established at a later date, in case such a company is in a position to provide requisite services to the Portfolio Manager. The Portfolio Manager will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arm's length basis and at mutually agreed terms and conditions and to the extent permitted under all applicable laws after evaluation of the competitiveness of the pricing offered and the services to be provided by them. While entering into such transactions, in accordance with obligations under the Regulations, the Client's interests shall always be paramount.

The Portfolio Manager/ Fund Manager may invest in Securities of the associate/ group companies including entire portfolio value in schemes of Axis Mutual Fund. These investments will be carried out to achieve the investment objectives and strategies and in the normal course of investment activity subject to the applicable laws/ regulations.

## **6. RISK FACTORS**

- i. Investments are subject to market risks and there is no assurance or guarantee that the objectives of the investment will be achieved.
- ii. The investment value of portfolio may increase or decrease depending on the factors and forces affecting capital markets.

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- iii. Past performance of the Portfolio Manager/Fund Manager/Sponsor does not indicate the future performance of the portfolios managed under the Portfolio Management Services.
- iv. The Portfolio Manager is neither responsible nor liable for any losses resulting from the management of client portfolios/advisory services, etc.
- v. The investment made by the Portfolio Manager is subject to risk arising out of non-diversification, in case it is the investment objective of the specific portfolio.
- vi. The investments made by the Portfolio Manager is subject to risks arising from the investment objective, investment strategy and asset allocation.
- vii. Performance of the portfolios may be impacted as a result of specific investment restrictions provided by the client.
- viii. Investments are subject to various factors which may impact its value including, but not limited to, fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes etc. There is also the risk of total loss of value of an asset where the possibility of recovery is only through an expensive legal process. Such loss could arise due to factors which by way of illustration, include, default or non-performance of a third party, company's refusal to register a security due to legal stay or otherwise, disputes raised by third parties.
- ix. Mis-judgment by the Portfolio Manager or his incapacitation due to any reason, however remote, is also a risk. Thus the investment in Indian Capital Market involves above average risk for investors compared with other types of investment opportunities. There is a possibility of the value of investment and the income there from falling as well as rising depending upon the market situation.
- x. The Portfolio Manager does not guarantee or assure any return on investment.
- xi. The tax benefits described in this Disclosure Document are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the Portfolio Manager regarding the law and practice in force in India and the investors should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the portfolio will endure indefinitely. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own professional tax advisor.
- xii. The investments made are subject to external risks including war, natural calamities, policy changes of local / international markets which affect stock markets, which are outside the control of the Portfolio Manager.
- xiii. Any technology updation / obsolescence of technology would affect the investments made in a particular industry.
- xiv. The performance of any portfolio which endeavours to provide absolute returns, may not correspond with the performance of the stock exchange or the performance of mutual fund(s), in general.
- xv. Prospective investors should review / study this Disclosure Document carefully and in its entirety and should not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition,

holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.

#### **Specific Risk Factors for Equity Linked Debentures portfolio**

- The payoffs that are indicated in the debentures are only applicable on maturity. In case the fund manager has to sell the debenture on a redemption request by the investor, the realization may be different linked to the quotes available in the market.
- The debentures are highly illiquid and do not have an active secondary market.
- The investor is exposed to the credit risk of the issuer of the debentures

Since these debentures are linked to equity markets, risks associated with equity investment as highlighted below are also present.

#### **Specific Risk Factors for Open-ended Floor Protection portfolio**

- The floor indicated will be a target level and is not a guarantee offered by the portfolio manager.
- The floor protection assumes active equity markets in which the portfolio manager will be able to trade and cut equity positions in case the market is falling. The portfolio is subject to gap risk in case the markets gap down without trading and the portfolio manager is not able to trade.

#### **Risks associated with investments in equities**

- Investments in equity and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made may be restricted by trading volumes and settlement periods. The value of the investments may be affected by interest rates, currency exchange rates, changes in law/policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors.
- Investments in equity and equity related securities involve a degree of risk and investors should not invest unless they can afford to take the risk of losing their investment.
- Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options.

#### **Risks associated with investments in Fixed Income Instruments**

**Interest-Rate Risk:** Fixed income instruments such as government bonds, corporate bonds, money market instruments and derivatives run price-risk or interest-rate risk. The extent of fall or rise in the prices depends upon the coupon and maturity of

the security. It also depends upon the yield level at which the security is being traded.

**Re-investment Risk:** Investments in fixed income instruments carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.

**Basis Risk:** The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements, leading to loss of value of the portfolio.

**Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.

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

**Credit Risk:** This is the risk associated with the issuer of a debenture/bond or a money market instrument defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer.

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

**Settlement Risk:** Fixed income instruments run the risk of settlement which can adversely affect the ability of the portfolio manager to swiftly execute trading strategies which can lead to adverse movements in the portfolio.

#### **Risks associated with investments in Derivatives**

- The Fund Manager may invest in derivative products in accordance with and to the extent permitted. 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. Trading in derivatives carries a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have an impact on their value and consequently, on the Net Asset Value.
- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility to the values.

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- Investment in derivatives also requires 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. Even a small price movement in the underlying security could have an impact on their value and consequently, on the Net Asset Value.
- The Fund Manager may face execution risk, whereby the rates seen on the screen may not be the rate at which the ultimate execution of the derivative transaction takes place.
- The Fund Manager may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Fund Manager may face a liquidity issue.
- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However the gains of an options writer are limited to the premiums earned.
- The exchange may impose restrictions on exercise of options and may also restrict the exercise of options at certain times in specified circumstances and this could impact the value of the portfolio.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.
- The Product bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions.
- The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets.
- 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. The counter party may default on a transaction before settlement and therefore, the Fund Manager is compelled to negotiate with another counterparty at the then prevailing (possibly unfavourable) market price.
- Derivatives also carry a market liquidity risk where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
- Where derivatives are used for hedging, such use may involve a basis risk where the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risk may be inter-related also e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

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- 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.
- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor.
- Execution of investment strategies depends upon the ability of the fund manager(s) to identify such opportunities which may not be available at all times. Identification and execution of the strategies to be pursued by the fund manager(s) involve uncertainty and decision of fund manager(s) may not always be profitable. No assurance can be given that the fund manager(s) will be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

The following are certain additional risks involved with use of fixed income derivatives:

**Interest rate risk:** Derivatives carry the risk of adverse changes in the price due to change in interest rates.

**Liquidity risk:** During the life of the derivative, the benchmark might become illiquid and might not be fully capturing the interest rate changes in the market, or the selling, unwinding prices might not reflect the underlying assets, rates and indices, leading to loss of value of the portfolio.

### **7. CLIENT REPRESENTATION**

<b>Category of Clients</b>	<b>No. of Clients as on</b>	<b>Funds managed as on (Rs. in Crores)</b>	<b>Discretionary/ Non-Discretionary (if available)</b>
Associates/ group companies (last 3 years)	Nil	Not Applicable	Not Applicable
Others (last 3 years)			
As on March 31, 2018	607	866.003	Discretionary
As on March 31, 2017	100	624.508	Discretionary
as on March 31,2016	01	476.91	Discretionary

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DISCLOSURES IN RESPECT OF TRANSACTIONS WITH RELATED PARTIES, ASSOCIATES AND GROUP COMPANIES FOR THE PERIOD APRIL 1, 2017 TO MARCH 31, 2018:

A) Holding Company	: Axis Bank Limited
B) Fellow Subsidiaries	: Axis Capital Limited
	: Axis Securities Limited
	: Axis Trustee Services Limited
C) Significant Share Holder	: Schroder Singapore Holdings Private Limited (SSHPL) is a wholly owned subsidiary of Schroder Investment Management (Singapore) Limited (SIMSL)
D) Key Management Personnel	: Mr. Chandresh Kumar Nigam (MD & CEO)
	: Mr. Gopal Menon (COO & CFO)
	: Mr. Nilesh Pednekar (Company secretary)
	: Mr. Lalit Taparia (Company secretary)

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Particulars	Amount (₹)											
	Holding Co.		Significant Share Holder		Fellow Subsidiary						Total for fellow Subsidiaries	
	Axis Bank Limited		SIMSL/ SSHPL & SIMAL		Axis Securities Ltd.		Axis Capital Ltd.		Axis Trustee Services Limited			
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
<b>INCOME:-</b> Investment Advisory fees Offshore (SIMSL/SIMAL)			136,659,673	65,203,706								
<b>EXPENDITURE</b>												
Mutual Fund - Brokerage (amortised value)#	2,579,054,200	1,616,452,313	-	-	21,282,146	13,819,446	81,408	758,392			21,363,555	14,577,838
AIF - Brokerage & Set up fees \$	21,542,252	-	-	-	-	-	-	-			-	-
PMS - Brokerage & Set up fees \$	26,878,574	3,007,450	-	-	-	-	-	-			-	-
PMS - FA/R&T/CCIL fees	2,535,174	657,358	-	-	-	-	-	-			-	-
One time acceptance fee for Axis AIF	-	-	-	-	-	-	-	-	200,000	-	200,000	-
Bank Charges	1,078,113	753,328	-	-	-	-	-	-			-	-
Rent Expenses - worli	28,818,409	29,551,685	-	-	-	-	-	-			-	-
Facilities Expenses	8,266,707	9,428,085	-	-	-	-	-	-			-	-
Outsourced services cost	-	-	-	-	748,783	1,794,862	-	-			748,783	1,794,862
Advertisement cost	-	-	-	-	1,506,524	200,000	-	-			1,506,524	200,000
<b>REIMBURSEMENT PAID BY AMC TOWARDS</b>												
Administrative & Other Expenses	22,189,068	26,861,709	-	-	-	-	-	-			-	-
Travelling Expenses	-	-	-	-	-	-	-	-			-	-
<b>REIMBURSEMENT RECOVERED BY AMC TOWARDS</b>												
Investor Compensation	62,181	38,328	-	-	-	-	-	-			-	-
Travelling Expenses			844,991								-	-
Reimbursement of TDS on ESOP *	-	-	-	-	-	-	-	-			-	-
<b>ASSETS</b>												
Current account balance	(227,030,313)	1,763,958			-	-	-	-			-	-
[Bal as per Bank Rs.38,11,299.97 (Previous Year Rs.1,12,64,734.18) as on March 31, 2018]												
Receivable	-	-	17,428,203	9,383,616	-	-	-	-			-	-
<b>LIABILITIES</b>												
<b>Equity Share Capital contribution:</b>												
Opening Balance	1,575,833,330	1,575,833,330	525,277,790	525,277,790	-	-	-	-			-	-
Share capital infused during the year	-	-	-	-	-	-	-	-			-	-
Share capital sold during the year	-	-	-	-	-	-	-	-			-	-
Closing Balance	1,575,833,330	1,575,833,330	525,277,790	525,277,790	-	-	-	-			-	-
	216,666,672	216,666,672	72,222,224	72,222,224	-	-	-	-			-	-

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\* Note:- Axis Bank Ltd had granted ESOPs to certain employees of company. TDS on ESOPs perquisites of Rs.44,84,293 is routed through the company for payment into government treasury.

# Note:- Total brokerage for F.Y.2017-18 in AMC books for Axis Bank Ltd - Rs.232,90,85,122/- , Axis Securities Ltd - Rs.2,25,40,444/- and Axis Capital Ltd.- NIL.

\$ Note:- Total brokerag for PMS for F.Y.2017-18 in AMC books Rs.6,52,13,735/- & for AIF Rs.Rs.5,10,26,875/-

<b>Other related party transaction :-</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Remuneration to Key Managerial Personnel**		
Mr. Chandresh Kumar Nigam (MD & CEO)	86,184,738	56,981,714
Mr. Gopal Menon (COO & CFO)	208,40,153	10,618,411
Mr. Nilesh Pednekar (Company secretary, upto 28 Aug 2017)	1,209,340.00	1,452,120
Mr. Lalit Tapria (Company secretary, wef. 24 Oct 2017)	1,179,770.00	-

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**8. FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER**

Balance Sheet	As At 31-Mar-18 Audited Amount Rs	As At 31-Mar-17 Audited Amount Rs	As At 31-Mar-16 Audited Amount Rs
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	2,101,111,120	2,101,111,120	2,101,111,120
(b) Reserves and Surplus	458,567,205	28,448,731	-541,130,695
	<b>2,559,678,325</b>	<b>2,129,559,851</b>	<b>1,559,980,425</b>
<b>2 Non-current liabilities</b>			
(a) Other Long-term Liabilities	2,554,458	24,925,595	195,274,300
(b) Long-term Provisions	482,605,839	376,235,570	193,045,069
	<b>485,160,297</b>	<b>401,161,165</b>	<b>388,319,369</b>
<b>3 Current liabilities</b>			
(a) Short term borrowing		-	-
(b) Trade Payables	921,892,070	734,814,299	628,968,639
(c) Other Current Liabilities	511,172,317	6,972,277	14,497,708
(d) Short-term Provisions	567,162,170	466,331,953	300,089,428
	<b>2,000,226,557</b>	<b>1,208,118,529</b>	<b>943,555,775</b>
<b>TOTAL</b>	<b>504,5065,179</b>	<b>3,738,839,545</b>	<b>2,891,855,569</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible Assets	49,619,866	46,413,512	40,773,030
(ii) Intangible Assets	15,675,261	23,347,517	18,191,903
(iii) Intangible assets under Development	81,75,232	2,856,900	3,494,930
(iv) Non current investments	161,358,841	94,156,794	94,156,794
(v) Deferred tax	189,293,493		
	<b>424,122,693</b>	<b>166,774,723</b>	<b>156,616,657</b>
(b) Long-term Loans and advances	1,164,759,168	944,676,335	1,113,234,811

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<b>2 Current assets</b>			
(a) Current Investments	1,719,015,588	1,383,341,915	238,030,936
(b) Trade Receivables	606,526,652	225,912,093	146,768,196
(c) Cash and cash equivalents	1,405,939	1,776,815	1,747,605
(d) Short-term Loans and Advances	997,932,312	917,297,453	1,139,450,203
(e) Other current assets	131,302,826	99,060,211	96,007,161
	<b>3,456,183,317</b>	<b>2,627,388,487</b>	<b>1,622,004,101</b>
<b>TOTAL</b>	<b>504,5065,179</b>	<b>3,738,839,545</b>	<b>2,891,855,569</b>

<b>Statement of Profit and Loss for the year ended</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Income			
Revenue from operations	7,436,442,616	5,280,317,057	3,797,431,498
Other income	88,698,866	29,424,265	8,018,302
<b>Total Revenue</b>	<b>7,525,141,482</b>	<b>5,309,741,322</b>	<b>3,805,449,800</b>
Expenses			
Employee benefits expense	1,282,169,731	1,086,619,540	698,554,345
Finance cost		-	22,900,378
Administrative and other expenses	5,627,234,204	3,602,093,339	2,737,437,692
Depreciation and amortization expense	42,910,022	41,141,641	30,167,109
<b>Total Expenses</b>	<b>6,952,313,957</b>	<b>4,729,854,520</b>	<b>3,489,059,524</b>
<b>Profit before tax</b>	<b>572,827,524</b>	<b>579,886,802</b>	<b>316,390,276</b>
Tax expense			
Current tax	348,122,337	123,757,122	67,522,747
MAT credit entitlement	(16,119,793)	(113,449,746)	(67,522,747)
Deferred tax	(189,293,493)	-	-
	142,709,051	10,307,376	-
<b>Profit/ (Loss) after tax</b>	<b>430,118,473</b>	<b>569,579,426</b>	<b>316,390,276</b>
Earnings per equity share	2.05	2.71	1.51

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**9. PORTFOLIO MANAGEMENT PERFORMANCE OF AXIS ASSET MANAGEMENT COMPANY LIMITED FOR THE LAST THREE YEARS.**

Product	Inception Date	Year 1 (April 01, 2017 to March 31, 2018)	Year 2 (April 01, 2016 to March 31, 2017)	Year 3 (April 01, 2015 to March 31, 2016)
<b>Axis Quam 25 Portfolio</b>	15/Mar/10	Na	NA	NA
Benchmark- 9% per annum		<b>Na</b>	<b>NA</b>	<b>NA</b>
<b>PF Portfolio</b>	23/Feb/11	<b>5.55%</b>	11.44%	8.24%
Benchmark -I-sec Sovereign Bond Index		<b>4.84%</b>	<b>11.22%</b>	<b>7.76%</b>
<b>ELD Series 1</b>	27/May/11	Na	NA	NA
Benchmark-Nifty		<b>Na</b>	<b>NA</b>	<b>NA</b>
<b>ELD Series 2</b>	31/May/11	Na	NA	NA
Benchmark-Nifty		<b>Na</b>	<b>NA</b>	<b>NA</b>
<b>Floor Protection Portfolio</b>	11/Jul/11	Na	NA	NA
Benchmark-(Nifty 37% + Crisil Liquid Fund Index 63%)		<b>Na</b>	<b>NA</b>	<b>NA</b>
Benchmark-Nifty		<b>Na</b>	<b>NA</b>	<b>NA</b>
<b>ELD Series 4</b>	3/Aug/11	Na	NA	NA
Benchmark-Nifty		<b>Na</b>	<b>NA</b>	<b>NA</b>
<b>Axis Brand Equity Portfolio</b>	27/Jan/17	<b>16.21%*</b>	-2.36%	NA
Benchmark-S&P BSE 200		<b>11.04%</b>	<b>7.36%</b>	NA

Note: 1) Portfolios closed/ redeemed / terminated during the period- Axis Quam 25, ELD1, ELD 2, ELD4 and FPP

2) Returns for less than 1 year are absolute, returns greater than 1 year are CAGR

Report Disclosure Statement

**Method:**

Time weighted - Daily valuation method is used for rate of return calculation. Portfolio valuation is done on the date of any external cash flow with daily weighted cash flows. Periodic returns are geometrically linked. Total return includes realized and unrealized gains and income. Calculations are after deduction of transaction charges. Trade date accounting is used for calculations. Accrual accounting is used for fixed income securities. Market values of fixed income securities include accrued income. Accrual accounting is used for a dividend as of ex-dividend date.

**Quam Disclaimer:**

QuAM is an absolute return strategy whose return is market dependent and dynamic in nature and therefore does not have a representative benchmark. The benchmark selected is the hurdle rate for calculation of performance fee and not an indication of the expected return of the strategy.

**PF Portfolio Disclaimer:**

The returns are on a mark to market basis. However the client is not regulatory authorized to trade, and will be carrying the securities to maturity. On a hold to maturity basis the return comes to 9.67% annualised.

**ELD Disclaimer:**

The return on debentures are market linked and do not get crystallized till near the maturity of the debenture. In the interim, the ELDs are carried at cost and therefore intermediate period returns may not be indicative of the actual holding period return made by the investor. ELD benchmarks are dynamic and over short periods comparison to benchmark may not give an accurate picture as ELDs are held at cost while benchmark values get updated on a dynamic basis.

**Floor Protection Portfolio Disclaimer:**

Floor Protection is a dynamic asset allocation portfolio and does not have a representative benchmark. The benchmark selected is a hybrid passive allocation to equity and debt that is the initial allocation for the portfolio. The actual portfolio performance can be quite different from the portfolio over time as the asset allocation of the portfolio is dynamically modified.

Investors may note that the PF portfolio is being offered under the Fixed Income Portfolio as described elsewhere in this document.

**\*Axis Brand Equity Portfolio Disclaimer:**

Above said returns are from April 1, 2017 upto March 31, 2018. Portfolio performance is adjusted for one-time (upfront) fee

**10. NATURE OF COSTS AND EXPENSES FOR CLIENTS**

The various types of fees/expenses/costs chargeable to the Client are as follows:

- i. Investment management and advisory fees
- ii. Custodian fee and demat account charges
- iii. Audit fee and legal charges
- iv. Brokerage and transaction cost
- v. Other costs as maybe specified

The actual fees and expenses payable by the Client to the Portfolio Manager for the Services will be as mentioned in the PMS agreement with the Client. The Portfolio Manager may also charge any other type of fees (where permissible).

The Portfolio Manager shall deduct directly from the account of the Client all the fees/costs specified above. Other expenses which could be attributable to the Portfolio Management would also be directly deducted and the Client would be sent a Statement for the same. Alternatively all the fees / costs / expenses may not be debited to the portfolio but may be recovered separately from the Client if agreed to between the Client and the Portfolio Manager.

The fees charged for rendering portfolio management services do not guarantee or assure, either directly or indirectly, any return on the investment made by the client.

The fee so charged may be a fixed fee or a return based fee or a combination of both, as agreed in the agreement.

## **11. TAX IMPLICATIONS FOR CLIENTS**

The tax benefits described in this Document are as per the provisions of the Income-tax Act, 1961 ('the Act') as amended by the Finance Bill, 2018.

The information provided below is for general information purpose only. The disclosures in respect of the tax implications are in accordance with the prevailing tax laws and there can be no assurance or guarantee that the tax implications prevailing at the time of investment through the portfolio management services will endure indefinitely.

Further statements with regard to tax implications mentioned herein below are mere expressions of opinion and are not representations of the portfolio manager to induce any investor to invest through the services offered by the portfolio manager. The prospective clients should not treat this information as advice relating to taxation or investment or any other matter. In view of the individual nature of the implications, each investor is advised to consult with his or her own tax advisors/authorised dealers with respect to the specific tax and other implications arising out of his or her participation through the portfolio management services.

### **Tax Implications to different categories of investors for various streams of income**

#### **A PMS Client may earn:**

- Income from dividend on shares and units of mutual fund
- Income from interest on Fixed Income Securities.
- Short-term and/or long-term capital gains (or losses) on sale of Securities (shares, debentures, rights renunciations, units, etc.)
- Business Income (loss) from purchase and sale of Securities (shares, debentures, rights renunciations, units, etc.)

***Each such income has a separate tax treatment in the hands of the PMS Client as discussed hereunder.***

#### **1. Income from dividend on shares and units of mutual fund**

1.1 Dividend referred to in section 115O of the Income Tax Act, 1961 ("the Act") received in respect of shares of an Indian Company, is exempt from tax under Section 10(34) of the Act in the hands of the recipient. However, tax on distributed profits will be payable by the domestic company at the rate of 20.555% (including surcharge and cess). For dividends declared after 1 October 2014, the mode of calculation of distributed profits u/s 115O for the purpose of determining the amount of tax thereon has been modified which shall result in higher effective rate of tax on distributed profits.

With effect from 1 April 2017, as per Sec. 115BBDA, where the total income of a \*specified assessee, resident in India, consists of dividend declared, distributed or paid by a domestic company of more than ten lakh rupees, then dividend income in excess of ten lakh rupees shall be chargeable to tax at the rate of 10% (applicable cess and surcharge shall be charged separately).

\*Specified assessee means a person other than domestic company, a fund/institution set-up under clause (iv), (v), (vi), (via) of Sec. 10(23C) of the Act or a trust registered under Sec. 12A and 12AA of the Act.

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1.2 Income received in respect of units of a mutual fund specified in section 10(23D) of the Act, is exempt from tax under Section 10(35) of the Act. Exemption from income-tax under section 10(35) of the Act shall however not apply to any income arising from the transfer of these units. However, the income distribution tax payable by the Mutual Fund under section 115R of the Act will be as follows:

<b>Dividend paid to</b>	<b>Individual/ HUF</b>	<b>Domestic Company</b>	<b>NRI</b>
<b>Type of Scheme</b>			
Equity oriented schemes@	10%+12% Surcharge +4% Cess = 11.648%	10%+12% Surcharge +4% Cess = 11.648%	10%+12% Surcharge +4% Cess = 11.648%
Money market and Liquid schemes	25%+12% Surcharge +4% Cess = 29.12%	30%+12% Surcharge+4% Cess = 34.944%	25%+12% Surcharge +4% Cess = 29.12%
Debt schemes (other than infrastructure debt fund)	25%+12% Surcharge +4% Cess = 29.12%	30%+12% Surcharge+4% Cess = 34.944%	25%+12% Surcharge +4% Cess = 29.12%
Infrastructure Debt Fund	25%+12% Surcharge +4% Cess = 29.12%	30%+12% Surcharge+4% Cess = 34.944%	5%+12% Surcharge +4% Cess = 5.824%

@ Securities transaction tax (STT) will be deducted on equity funds at the time of redemption/ switch to the other schemes/ sale of units.

For income distributed after 1 October 2014, the mode of calculation of distributed income u/s 115R for the purpose of determining the amount of tax thereon has been modified which shall result in higher effective rate of tax on such income distribution by the Mutual Fund.

**2. Income from interest on Fixed Income Securities.**

**2.1 Tax Deduction at Source on interest income**

	<b>In case of 'other than a Company' PMS clients</b>			<b>In case of Company PMS clients</b>	
	<b>Resident in India</b>	<b>Not Resident Indian</b>	<b>Not resident in India other than NRI and Foreign Institutional Investors ('FII')</b>	<b>Domestic Company</b>	<b>Non-Domestic Company other than FII</b>
Interest other than 'Interest on securities	10%	20%	20%	10%	20%
Interest payable on	10%	20%	20%	10%	20%

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debentures or securities (other than Government security)					
Interest payable on listed debentures issued by a Company	Nil	20%	20%	Nil	20%
Interest from notified infrastructure debt fund <sup>1</sup>	10%	5%	5%	10%	5%
Interest by an Indian company or business trust on foreign currency approved loan/long-term bonds from outside India	NA	5%	5%	NA	5%
Other than above	10%	30%	30%	10%	40%
Interest by Government or Indian concern on money's borrowed or debt incurred in foreign currency		20%	20%		20%
FII/ sub – account <sup>1 &amp; 2</sup>	20%			20%	

- 1) TDS on interest from notified infrastructure debt fund for FII / sub-account shall be @ 5%
- 2) TDS on interest from rupee denominated bonds of an Indian company or Government security to FII or QFI shall be @ 5%

The rates of tax should be further increased by surcharge and education cess where applicable in the case of non-resident payees.

## 2.2 Taxability of Interest income earned

Interest on securities stripped by sale and buyback should be taxable as income of the owner of the securities [Section 94(1)].

Interest income is taxable as normal business income / income from other sources, depending upon whether the securities are held as stock in trade / investments for resident and non-resident PMS clients as per the rates applicable in Schedule I to the Finance Act, 2018 as mentioned in Note 1.

In case of certain specific fixed income securities and certain debt instruments, purchased and held as investments and transferred prior to maturity, the gain from the transfer may also possibly be characterized as "capital gains" (treatment separately discussed).

Interest income in the hands of non-resident from notified infrastructure debt fund is taxable at the rate of 5%.

Interest income in the hands of non-resident from foreign currency approved loan or long term bonds of an Indian company or business trust is taxable at the rate of 5%.

Interest income in the hands of FII or QFI from rupee denominated bonds of an Indian company or Government security is taxable @ 5%.

The investors should obtain specific advice from their tax advisors regarding the tax treatment of their investments.

### **3. Characterization of Income derived from sale of securities**

The applicable tax rate depends on the nature of income i.e., capital gains or business income. Gains on disposition of securities that are held as "stock-in-trade" should be considered as "business profits" whereas those held as "investment" should be considered as "capital gains".

Judicial precedents have not evolved any specific test that could be universally applied in determining whether gains on disposition of securities are "capital gains" or "business profits". The answer to this question would necessarily depend upon all relevant factors and circumstances of a case.

However, the Central Board of Direct Taxes ('the CBDT') vide its circular no. 4/2007, dated 15 June 2007, had laid down the tests/ provided the instructions (supplementing the earlier Instruction No. 1827, dated 31 August 1989) to make distinction between shares held as stock-in-trade and shares held as investments. Kindly refer the instructions for details.

#### **3.1 PROFITS AND GAINS OF BUSINESS OR PROFESSION**

As per the Finance Act 2008, deduction in respect of securities transaction tax paid is allowed in the computation of business income. However, if the income on sale of securities is treated as capital gains (treatment separately discussed), no deduction of securities transaction tax paid will be allowed from the gains derived.

Under section 43(5) of the Act, transactions in stocks and shares ultimately settled otherwise than by actual delivery are regarded as speculative transactions.

However, Finance Act 2005 has inserted proviso (d) to Section 43(5), whereby transactions in respect of trading in derivatives shall not be considered as a Speculative Transaction, provided the transaction is carried out electronically on screen based systems through a stock broker or sub-broker or intermediary registered under SEBI or by banks or mutual funds on a recognized stock exchange and is supported by time stamped contract note.

Profits/ loss arising on sale / purchase / close out of derivatives on the recognized stock exchange should be considered as Business Profits.

There is no withholding tax on income arising on sale trades through the recognized stock exchange and so tax is payable as advance tax during the year of sale.

Business Profits are taxed as normal income at the rates mentioned in note 1& 2 below.

#### Losses under the head business income

Business loss can be set off against the income from any other source under the same head or income under any other head (except income from Salary) in the same assessment year.

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

Where any part of the business of a company consist of purchase and sale of shares, such company (other than the exceptions provided in the Explanation to section 73 of the Act) shall be deemed to be carrying on speculation business for the purpose of carry forward and set off of losses. Speculation loss can be set off only against speculation income. So in case of Corporate PMS clients, the loss on sale of shares may be treated as speculation and may not be allowed set off against profit on sale of other non-speculative securities transactions (i.e. derivatives, units, debt securities etc). Speculation loss cannot be carried forward for more than four assessment years.

### **3.2 Capital Gains Tax**

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

As per the provisions of section 2(42A) of the Act, short-term capital asset means capital asset held for a period of not more than 36 months immediately preceding the date of transfer.

Provided that in the case of a security (other than a unit) listed in a recognized stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or unit of an equity oriented fund or a zero coupon bond, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twelve months" had been substituted.

Provided further, incase of share of a company other listed shares, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twenty four months" had been substituted.

Long-term capital asset is asset other than short-term capital assets.

#### ***3.2.1 Where sale transaction of shares and units are chargeable to STT***

STT is payable on a taxable securities transaction as mentioned in note 3 below.

All Investors

#### **Long term Capital Gain**

Finance Bill 2018 has withdrawn the exemption provided in clause (38) of section 10 of the Act. Further, a new section 112 A insert for taxability of long term capital gain arising from transfer of a long term capital asset being an equity share in a company or a unit of equity oriented fund or a unit of a business trust shall be taxed @10% if such capital gains exceeds Rs. 100000 p.a. w.e.f April 1, 2018 This concessional rate of 10%. will be applicable to such long term capital gains, if— i) in a case where long term capital asset is in the nature of an equity share in a company, securities transaction tax has been paid on both acquisition and transfer of such capital asset; and ii) in a case where long term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, securities transaction tax has been paid on transfer of such capital asset. Further, the new provision of section 112A also provides the following:—

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i) The long term capital gains will be computed without giving effect to the first and second provisos to section 48, i.e. inflation indexation in respect of cost of acquisitions and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed. ii) The cost of acquisitions in respect of the long term capital asset acquired by the assessee before the 1st day of February, 2018, shall be deemed to be the higher of –

- a) the actual cost of acquisition of such asset; and
- b) the lower of –
  - (I) the fair market value of such asset; \*and
  - (II) the full value of consideration received or accruing as a result of the transfer of the capital asset. \*Fair market value has been defined to mean –

a) in a case where the capital asset is listed on any recognized stock exchange, the highest price of the capital asset quoted on such exchange on the 31st day of January, 2018. However, where there is no trading in such asset on such exchange on the 31st day of January, 2018, the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value; and

b) in a case where the capital asset is a unit and is not listed on recognized stock exchange, the net asset value of such asset as on the 31st day of January, 2018.

Explanation.—For the purposes of this section,— (a) “equity oriented fund” means a fund set up under a scheme of a mutual fund specified under clause (23D) of section 10 and,—

(i) in a case where the fund invests in the units of another fund which is traded on a recognised stock exchange,—

(A) a minimum of ninety per cent. of the total proceeds of such fund is invested in the units of such other fund; and

(B) such other fund also invests a minimum of ninety per cent. of its total proceeds in the equity shares of domestic companies listed on a recognised stock exchange; and

(ii) in any other case, a minimum of sixty-five per cent. of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange: Provided that the percentage of equity shareholding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures;

Short term Capital Gain

As per Section 111A of the Act, short-term capital gains arising from the sale of equity shares, unit of an equity oriented fund entered into in a recognized stock exchange or sale of such unit of an equity oriented fund to the mutual fund shall be taxed at 15 per cent, provided such transaction of sale is chargeable to securities transaction tax. The said tax rate shall be increased by applicable surcharge and education cess, if any (refer Note 2).

However, in case of Individuals and HUF, being resident, where taxable income as reduced by short-term capital gains arising on sale of equity shares or units of an equity oriented fund is below the basic exemption limit, the short-term capital gains shall be reduced to the extent of the shortfall and only the balance short-term capital gains shall be subjected to the tax at 15% plus surcharge (if any) and education cess.

Securities transaction tax is not deductible while computing capital gains.

However, in case of non-resident investor including FII / sub – account who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (which is in force) income tax is payable at the rate provided in the Act or the rate provided in the said agreement, whichever is more beneficial to such non-resident investor.

The investors should obtain specific advice from their tax advisors regarding the availability of the tax treaty benefits.

***3.2.2 In case of sale transaction in shares, units and other securities (other than speculative transactions) which are not chargeable to STT***

*Long-term capital Gains*

*All investors other than FII / sub – account*

Long-term capital gains arising on sale of securities (other than speculative transactions, shares and units of equity oriented fund referred to above), shall be chargeable under Section 112 of the Act, at concessional rate of tax at 20 per cent. The said tax rate shall be increased by applicable surcharge and education cess, if any (refer Note 2).

The following amounts shall be deductible from the full value of consideration, to arrive at the amount of capital gains:

- Cost of acquisition of securities as adjusted by Cost Inflation Index notified by the Central Government, and
- Expenditure incurred wholly and exclusively in connection with such transfer.

However, where the tax payable on such long-term capital gains arising on sale of listed security (other than units) and zero coupon bonds, computed before indexation, exceeds 10 per cent, (as increased by the applicable surcharge and education cess), of the amount of capital gains, such excess tax shall not be payable by the Investor.

In the case of a non-resident investor the tax payable on long-term capital gains arising on sale of unlisted security or shares of a company in which the public are not substantially interested, shall be 10 per cent, (as increased by the applicable surcharge and education cess) without giving effect of currency fluctuation and cost inflation index adjustment.

Adjustment for Cost Inflation Index is not available to non-residents on sale of shares or debentures.

Adjustment for Cost Inflation Index is not available to all investors on sale of bonds or debentures other than capital indexed bonds issued by the Government or sovereign gold bonds issued by RBI.

For a non-resident investor, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by him, shall be ignored for the purpose of computing the full value of consideration.

In case of resident Individuals and HUF where taxable income as reduced by long-term capital gains arising on sale of securities (other than speculative transactions, shares and unit of an equity oriented fund chargeable to STT) is below the basic exemption limit, the long-term capital gains shall be reduced to the extent of the shortfall and only the balance long-term capital gains shall be subjected to the flat rate of income-tax.

For FII / sub - account

Long-term capital gains arising on sale of securities (other than on transactions of shares and equity oriented units chargeable to STT), shall be taxed at the rate of 10% under Section 115AD of the Act. The said tax rate shall be increased by applicable surcharge and education cess, if any (refer Note 2).

Such gains shall be calculated without inflation index and currency fluctuation adjustment.

Short-term capital gains

All investors other than FII / sub - account

Short-term capital gains arising on sale of securities (other than speculative transactions, shares and unit of equity oriented fund referred to above) shall be taxed at 30%. The said tax rate shall be increased by applicable surcharge and education cess, if any (refer Note 2).

Short-term capital gains arising to individuals and HUFs are taxable on progressive basis, as given in note 1 below.

For FII / sub - account

Short-term capital gains arising on sale of securities (other than on transactions of shares and equity oriented units chargeable to STT), shall be taxed at the rate of 30% under Section 115AD of the Act. The said tax rate shall be increased by applicable surcharge and education cess, if any (refer Note 2).

In order to avail the benefit of the provisions of section 115AD of the Act, the FIIs and sub-accounts should be notified by the Central Government in the Official Gazette.

However, in case of such other non-resident investor who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (which is in force), income-tax is payable at the rate provided in the Act or the rate provided in the said agreement, whichever is more beneficial to such other non-resident investor.

Where sale is made during the minority of the child, tax will be levied on either of the parents, whose income is greater, where the said income is not covered by the exception in the proviso to section 64(1A) of the Act. When the child attains majority, such tax liability will be on the person.

*Certain deductions available under Chapter VI-A of the Act*

Individuals and Hindu Undivided Families would be allowed deduction in computing total income, inter alia, under section 80C of the Act for an amount not exceeding Rs. 150,000 with respect to sums paid or deposited in the previous year out of income chargeable to tax, in certain specified schemes.

**3.3 Set off of Capital losses (All Investors)**

The long-term capital loss suffered on sale of securities (other than speculative transactions as well as shares and unit of equity oriented fund referred to in para 3.2.1) shall be available for set off against long-term capital gains arising on sale of other assets and balance unabsorbed long-term capital loss shall be carried forward for set off only against long-term capital gains in subsequent years.

Short-term capital loss suffered on sale of securities (other than speculative transactions) shall be available for set off against both long-term and short-term capital gains arising on sale of other assets and balance unabsorbed short-term capital loss shall be carried forward for set off against capital gains in subsequent years.

Such carry forward is admissible maximum upto eight subsequent assessment years.

Each Investor is advised to consult his / her or its own professional tax advisor before claiming set off of long-term capital loss arising on sale of shares and units of an equity oriented fund referred to above, against long-term capital gains arising on sale of other assets.

**3.4 Other Important Provisions**

Under the provisions of Section 94(7) of the Act, short-term capital loss arising on sale of shares, which are bought within 3 months prior to the record date of declaration of dividend and sold within 3 months after the record date, shall be ignored for this purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such shares.

Under the provisions of Section 94(7) of the Act, loss arising on sale of units, which are bought within 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of the Unit holders to receive the income) and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Units.

Additionally, as per section 94(8) of the Act, wherein in case of units purchased within a period of 3 months prior to the record date for entitlement of bonus and sold within 9 months after the record date, the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be treated as cost of acquisition of such bonus units.

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As per the provisions of the section 206AA of the Income-tax Act, 1961, applicable from 1 April 2010 (i.e. financial year starting from April 1, 2010), it is mandatory for any person whose receipts are subject to deduction of tax at source, to furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates:

- i. the rate prescribed in the Act;
- ii. at the rates in force (this takes into account the rates as per the DTAA)
- iii. at the rate of 20 %

However with effect from 24 June 2016, the provisions of Sec. 206AA shall not apply to a non-resident investor if he provides alternate documents as may be prescribed under Rule 37BC instead of the PAN. In view of the same, a non-resident is technically required to have a PAN or such other document as may be prescribed under the provisions of the Act and non-availability of the same may result in withholding tax at higher rate. However, if PAN or such other document is prescribed is available, then the beneficial rates as per tax treaty (if applicable) can be availed subject to deductee being eligible for treaty benefits.

### **3.5 Minimum Alternate Tax (All Corporate Investors)**

The Finance Act, 2006 amended the Minimum Alternate Tax (MAT) provisions whereby long-term capital gains arising on sale of shares and units of equity oriented fund though exempt under section 10(38) of the Act, would not be excluded from the book profits to calculate profits chargeable to MAT.

The Finance Act, 2015 amended the Minimum Alternate Tax (MAT) provisions, whereby to arrive at the book profit, net profit as per P&L:

- Should be increased by "*the amount of amounts of expenditure relatable to income accruing or arising to an assessee, being a foreign company, from –*
  - A. *The capital gains arising on transactions in securities: or*
  - B. *The interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,*

*If the income tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, is at a rate less than the rate specified in sub-section (1)"*

- Should be reduced by "*the amount of income accruing or arising to an assessee, being a foreign company, from –*
  - A. *The capital gains arising on transactions in securities: or*
  - B. *The interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,*

*If such income is credited to the profit and loss account and the income tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, is at a rate less than the rate specified in sub-section (1)".*

The Finance Act, 2016 amended the Minimum Alternate Tax (MAT) provisions, whereby to arrive at the book profit, net profit as per P&L –

-Should be increased by

(fd) *the amount or amounts of expenditure relatable to income by way of royalty in respect of patent chargeable to tax under [section 115BBF](#)"*

- should be reduced by

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(iig) the amount of income by way of royalty in respect of patent chargeable to tax under [section 115BBF](#);

Finance Act, 2016 also amended MAT provisions, whereby it has been clarified that MAT provisions shall not be applicable and shall be deemed to have never been applicable to a foreign company:

- i. if such foreign company is a resident of a country or specified territory with which the Government of India has entered into a Double Tax Avoidance Agreement (DTAA) or such other agreement as specified in Sec 90A(1), and the foreign company does not have a permanent establishment in India in accordance with the provisions of such agreement; or
- ii. if the foreign company is a resident of a country with which India does not have an agreement as stated above and the foreign company is not required to seek registration under any law for the time being in force relating to companies.
- iii. Finance Act 2018 has also clarified that provisions of this Sec. shall not be applicable and shall be deemed never to have been applicable to an assessee being a foreign company where its total income comprises solely of profits and gains from business referred to in Sec. 44B, 44BB, 44BBA or 44BBB and such income has been offered to tax at the rates specified in those sections.

**Note 1:**

**Rates of income-tax**

Individuals, Hindu Undivided Families, Association of Persons, Body of Individuals, Non resident Indians and PIOs	Total income for a tax year:	Tax
	<=Rs. 2.5 lacs	: Nil (basic exemption limit#)
	> Rs. 2.5 lacs and <=Rs 5 lacs	: 5% of total income exceeding Rs 2.5 lacs
	> Rs 5 lacs and <=Rs 10 lacs	: Rs. 12,500 /- plus 20% of amount exceeding Rs 5 lacs
	> Rs 10 lacs	: Rs.1,12,500 /- plus 30% of amount exceeding Rs 10 lacs
	# Basic exemption limit for resident individuals of the age of 60 years or more but less than 80 years is Rs. 3 lacs, for individuals of the age of 80 years or more (very senior citizens) is Rs. 5 lacs. An additional rebate upto Rs 2,500 /- is being provided for residential individuals whose income doesn't exceed Rs 3,50,000 /-	
Partnerships (including LLPs)	30%	
Resident companies	30%/25% *	
Foreign companies other than Flls	40%	

\* For Assessment Year 2018-19, tax rate would be 25% where turnover or gross receipt of the company does not exceed Rs. 250 crores in the previous year 2016-17. For Assessment Year 2017-18, the turnover limit for applicability of reduced rate of 25% was Rs. 50 crores.

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**Note 2:**

**Rates of surcharge and cess**

Income	Individual , HUF, AOP, BOI	Partnership(including LLPs), FII / sub-account (Non corporate)	Company / Corporate FII / sub - account	Foreign Company	Cess
Rs.50 lakh to 1 crore	10%	Nil	Nil	Nil	4% on tax plus Surcharge, applicable in all cases
Between Rs 1crs & Rs 10 crs	15%	12%	7%	2%	
Above Rs 10 crs	15%	12%	12%	5%	

**Note 3:**

**Securities Transaction Tax**

Investor shall be liable to pay securities transaction tax in respect of certain transactions listed hereunder:

Nature of Transaction	Payable by	Value on which tax shall be levied	Rates (%)
Delivery based purchase transaction in units of equity oriented fund entered in a recognized stock exchange	Purchaser	Value at which units are bought	Nil
Delivery based purchase transaction in equity shares entered in a recognized stock exchange	Purchaser	Value at which shares are bought	0.1
Delivery based sale transaction in units of equity oriented fund entered in a recognized stock exchange	Seller	Value at which units are sold	0.001
Delivery based sale transaction in equity shares entered in a recognized stock exchange	Seller	Value at which shares are sold	0.1
Non-delivery based sale transaction in equity shares or units of equity oriented fund entered in a recognized stock exchange.	Seller	Value at which shares / units are sold	0.025
Transaction for sale of futures in securities	Seller	Value at which futures are traded	0.010
Transaction for sale of an option in securities	Seller	The option premium	0.05
Transaction for sale of an option in securities, where the option is exercised	Purchaser	The settlement price	0.125
Sale of units of an equity oriented fund to the mutual fund	Seller	Value at which units are sold	0.001
Transaction for sale of unlisted equity shares under an offer for sale to public	Seller	Value at which shares / units are sold	0.2

“Taxable securities transaction” has been defined as:

- a purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund or a unit of a business trust, entered into in a recognized stock exchange; or
- sale of unlisted equity shares by any holder of such shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a recognised stock exchange; or
- sale of unlisted units of a business trust to any holder of such units which were acquired in consideration of a transfer referred to in clause (xvii) of section 47 of the Income-tax Act, 1961 under an offer for sale to the public included in an initial offer and where such units are subsequently listed on a recognised stock exchange; or
- sale of a unit of an equity oriented fund to the Mutual Fund.

An “Equity Oriented Fund” as defined in Section 112A of the Act means a fund set up under a scheme of a mutual fund specified under clause (23D) of section 10 and,—

- (i) in a case where the fund invests in the units of another fund which is traded on a recognized stock exchange, a minimum of ninety percent of the total proceeds of such fund is invested in the units of such other fund and such other fund also invests a minimum of ninety percent of its total proceeds in the equity shares of domestic companies listed on a recognized stock exchange; and
- (ii) in any other case, a minimum of sixty-five percent of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognized stock exchange.

## **12. ACCOUNTING POLICIES**

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

### **Basis of Accounting**

Books and records would be separately maintained in the name of the client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the SEBI (Portfolio Management) Regulations, 1993, as amended from time to time. Accounting under the respective portfolios will be done in accordance with Generally Accepted Accounting Principles.

### **Client Account Maintenance**

- In case of investments by the Client in listed securities and in the event that the Client is a Non-Resident Indian, as defined by SEBI from time to time the Portfolio Manager shall keep the funds of the Client in a separate designated account to be maintained by it in a scheduled commercial bank and shall also maintain a separate Portfolio record in the name of the Client in its books for accounting the assets and income of the Client.
- The Portfolio Manager shall also maintain a separate depository account of each Client in case where the portfolio contains listed securities.

- The portfolio manager shall segregate each client's holding in unlisted securities in separate accounts in respect of investment by new clients and fresh investments by existing clients.

**Portfolio valuation, Securities Transaction and Income/Expenses**

1. Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange ("**NSE**"). If the Securities are not traded on the NSE on the valuation day, the closing price of the Security on the Bombay Stock Exchange will be used for valuation of Securities. In case of the securities that are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of mutual funds shall be valued at the repurchase price of the previous day or at the last available repurchase price declared for the relevant Scheme on the date of the report.
2. Unlisted Securities/investments will be valued at cost till the same are priced at fair market value. Such fair value may be determined by an agency appointed by the Portfolio Manager, on periodic basis (at least half yearly).
3. In determining the holding cost of investments and the gains or loss on sale of investments, the "First In First Out" method shall be followed for each security.
4. Unrealized gains/losses are the differences, between the current market value/Net Asset Value and the historical cost of the Securities.
5. Dividends on shares will be accounted on ex-dividend date and dividends on units in mutual funds will be accounted on receipt of information from the mutual fund house and interest, stock lending fees earned etc., will be accounted on accrual basis. The interest on debt instruments will be accounted on accrual basis.
6. In respect of all interest-bearing investments, income must be accrued on a day to day basis as it is earned. Therefore when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase will not be treated as a cost of purchase but will be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date upto the date of sale will not be treated as an addition to sale value but will be credited to Interest Recoverable Account.
7. Transactions for purchase or sale of investments will be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
8. Bonus shares to which the scheme/option becomes entitled will be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements will be

recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

9. The cost of investments acquired or purchased will include brokerage, stamp charges and any charge(except Securities Transaction Tax) customarily included in the broker's bought note. In respect of privately placed debt instruments any front-end discount offered will be reduced from the cost of the investment.
10. 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 to case basis.

### **13. INVESTOR SERVICES**

#### **(a) Contact information**

The investor queries and complaints can be addressed to: Ms. Mayuri Wanage

Address: Axis Asset Management Company Limited  
"Axis House", 1st Floor,  
C-2, Wadia International Centre,  
Pandurang Budhkar Marg, Worli,  
Mumbai – 400025  
Tel: 91 22 4325 5161 / 2425 4108  
Fax: 91 22 4325 5199 / 2425 5199

The official mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is invested with the necessary authority and has the independence and the wherewithal to handle investor complaints.

#### **(b) Grievance redressal and dispute settlement mechanism**

The Investor Relation Officer(s) will be the interface between the Portfolio Manager and the Client. The Investor Relation Officer (s) shall be responsible for redressing the grievances of the clients. All disputes, differences, claims and questions whatsoever arising from (i) the Agreement between the Client and the Portfolio Manager and (ii) the services to be rendered by the Portfolio Manager and/or their respective representatives shall be attempted to be resolved by discussions between the Parties and amicable settlement. In case the disputes remain unsettled, the same shall be referred to a sole arbitrator and such arbitration shall be in accordance with and subject to the provisions of The Arbitration and Conciliation Act 1996, or any statutory modification or re-enactment thereof for the time being in force. Such Arbitration proceedings shall be held at Mumbai and be conducted in English language.

The agreement with the client shall be governed by, construed and enforced in accordance with the laws of India. Any action or suit involving the agreement with a client or the performance of the agreement by the either party of its obligations will be conducted exclusively in courts located within the city of Mumbai in the State of Maharashtra.

### **14. PREVENTION OF MONEY LAUNDERING**

The Portfolio Manager is committed to adhere to the requirements specified under the Prevention of Money Laundering Act 2002 and the requirements laid down by the

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Securities and Exchange Board of India (SEBI), in this respect. The Clients including guardians (in case of minors) shall ensure that the investments made by them are through legitimate sources only and do not involve or are not designated for this purpose of money laundering or any contravention or evasion of the requirements specified under any rules, laws and regulations specified by the Government of India or any other statutory body / entity.

The Portfolio Manager reserves the right to seek appropriate information / documents from the Clients with a purpose to comply with *inter alia* its regulatory obligations. For the purpose the Portfolio Manager could record the telephonic calls of the Client, retain documents and information etc. including details for establishing the identity of the investor, proof of residence, source of funds etc. The Portfolio Manager may also undertake field visits, verify information through third party databases etc. In case a Client refuses / fails / delays in providing the information sought by the Portfolio Manager, the Portfolio Manager retains the right to freeze the accounts of the Client, reject any transaction request, effect mandatory repayment / return assets etc. The decision of the Portfolio Manager in this regard, shall be final.

### **15. GENERAL**

The Portfolio Manager and the Client can mutually agree to be bound by specific terms through a written two-way agreement between themselves in addition to the standard agreement for Portfolio Management Services.

Actions / inactions, deeds, decisions etc. undertaken by the Portfolio Manager, in good faith with reference to the instructions of the Client, based on the information from the Client / understanding of the Portfolio Manager will constitute good and full discharge of the obligations of the Portfolio Manager. Submission of documents / information by Clients shall be full and final proof of the non-individual Client's authority to invest and the Portfolio Manager shall not be responsible for the any defects / deficiencies in the document / information.

### **16. MISCELLANEOUS PROVISIONS:**

#### **i. Account Statement**

A Statements of Portfolio will be sent by email to each Client stating the details of Holding statement, Account Performance report, Realised Gain/(Loss) statement, Logical Bank book, Balance Sheet , Profit & Loss account & transaction undertaken on a regular basis or at the requested frequency of the client. Same is also provided on the AMC's website.

The Portfolio Manager may send Account Statements and any other correspondence using e-mail as the mode for communications as may be decided from time to time.

It is deemed that the Client is aware of all security risks including possible third party interception of Account Statement and content of the Account Statement becoming known to third parties. The Client may at any time request for a physical copy of the Account Statement.

The Portfolio Manager may also undertake to accept non-commercial transactions such as change in address, change in bank details, change in mode of payment etc. received through email, provided the request is sent by the Client from the same email address which is registered with the Portfolio Manager.

ii. Nomination Facility

Clients are requested to note that the nomination details registered with the Portfolio Manager shall not be applicable to the securities held in the individual Client demat account maintained with the Depository. For the securities held in electronic form (demat form) by the Client (s) in their Depository Participant Account (DP Account) opened for availing the services of the Portfolio Manager, the nomination details registered with the Depository and the rules prescribed by the Depository shall be applicable.

The Portfolio Manager is providing an option to the Individual Client(s) to nominate one or more persons in whom the investment or the cash allocation held by the Portfolio Manager under the respective Client account (other than the securities held by the Client in their individual Client demat account opened for availing the services of the Portfolio Manager) shall vest in the event of his / her / their death. However, the facility of nomination is not available to non-individuals including society, trust, company, body corporate, partnership firm, Karta of Hindu Undivided Family, PSU, AOP, BOI, Banks, FIs, holders of Power of Attorney.

The single/ joint/ surviving holders can at the time of application or subsequently, by writing to the Portfolio Manager, request for a nomination form in order to nominate one or more persons per Client account to receive the investment or the cash allocation held by the Portfolio Manager under the respective Client account (other than the securities held by the Client in their individual Client demat account opened for availing the services of the Portfolio Manager) upon his/her/their death, subject to the completion of the necessary formalities and submissions of necessary documents prescribed by the Portfolio Manager e.g. proof of death of the Client, signature of the nominee, furnishing proof of guardianship in case the nominee is a minor, execution of Indemnity Bond or such other documents/information/undertakings as may be required from the nominee in favour of and to the satisfaction of the Portfolio Manager. Where the investments are held jointly all the joint holders must sign the nomination form.

Nomination can be made for a maximum of three nominees. The Portfolio Manager may prescribe separate form for multiple nominations. In case of multiple nominees, the percentage of allocation/ share in favour of each of the nominees should be indicated against their name and such allocation/ share should be in whole numbers without any decimals making a total of 100 percent. In the event of Client(s) not indicating the percentage of allocation/ share for each of the nominees, the Portfolio Manager shall reject such request for registration of nomination. The decision of the Portfolio Manager with respect to treatment of nomination shall be final and binding on Client(s) and nominees.

Nominations (Single/ multiple) received in the form prescribed by the Portfolio Manager alone shall be valid.

Clients are advised to read the instructions provided herein and in the nomination form carefully before nominating.

The nominees/ administrators/ claimants/ successors/ executors/ legal heirs unconditionally and irrevocably agree that the transmission by the Portfolio Manager shall be made

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subject to the receipt of any such additional forms, information (personal or financial or otherwise), indemnities and relevant documentations (including KYC documents), if any, as may be required from time to time by the Portfolio Manager in the specified format.

**(17) DISCLAIMER:**

This document is purely for the purposes of providing information and every effort has been made to truly represent the facts and circumstances herein

Notwithstanding anything contained in this Disclosure Document, the provisions of SEBI (Portfolio Managers) Regulations 1993 and the rules shall be applicable.

for **Axis Asset Management Co. Ltd.**

**Director**

**Chandresh Kumar Nigam  
Managing Director and  
Chief Executive Officer**

**FORM C**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**(PORTFOLIO MANAGERS) REGULATIONS 1993)**  
**(Regulation 14)**

We confirm that:

1. the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by the Board from time to time;
2. the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management;
3. the Disclosure Document has been duly certified by an independent chartered accountant, Mr. Vikas Morzaria, Morzaria & Associates, 102, RBI Sahyog, Eksar road Borivali (west), Mumbai – 400 092, Tel No:- 022 28937983, bearing registration number (Membership No.) 108691 on April 16, 2018 (enclosed is a copy of the chartered accountants' certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision).

for **Axis Asset Management Company Limited**

**Chandresh Kumar Nigam**  
**Managing Director &**  
**Chief Executive Officer**

**Axis Asset Management Company Limited**

"Axis House", 1<sup>st</sup> Floor  
C-2, Wadia International Centre  
Pandurang Budhkar Marg  
Worli, Mumbai - 400 025  
Tel: 022 – 4325 5161  
Fax: 022 – 4325 5199  
Email: chandresh.nigam@axismf.com

Date: April 16, 2018  
Place: Mumbai

**Addendum to Disclosure Document dated April 16, 2018 for Portfolio Management Services  
business provided by Axis Asset Management Company Ltd.**

Investors are requested to note that under Section 5 of Disclosure Document dated April 16, 2018 following new discretionary portfolio management service is added:

**Axis 'Liquid' Portfolio**

Axis 'Liquid' Portfolio is a portfolio that will invest with an objective to provide short term liquidity and generate regular income through investments in liquid mutual funds. The portfolio will deploy its assets in Axis Liquid Fund.

The Portfolio Manager does not indicate any guarantee for capital/returns.

The performance will be benchmarked to Crisil Liquid Fund Index.

**Systematic Transfer Option from Axis 'Liquid' Portfolio into Axis Brand Equity Portfolio**

Investors have the option to deploy funds into the Axis Brand Equity portfolio in a systematic manner through a Systematic Transfer Option ("STO"). In this option the subscription amount will be invested initially in Axis 'Liquid' Portfolio. From Axis 'Liquid' Portfolio, funds will be switched into the Axis Brand Equity Portfolio in a systematic manner.

All STO transactions will be effected by redemption of investments in Axis Liquid Portfolio on a specified frequency (specified dates / months etc.). In the event specified date is a non-business day, the succeeding business day will be the effective date for such transaction. For a transaction to be eligible for STO for a particular month the cut-off date for registration will be the last working day of the preceding month. All request received post the cut off will be eligible for the next transaction date.

This addendum forms an integral part of the Disclosure Document of Portfolio Management Services of Axis Asset Management Company Ltd. dated April 16, 2018.

The Disclosure Document shall stand modified to the extent mentioned above. All other terms and conditions of the Disclosure Document remain unchanged.

For Axis Asset Management Company Ltd.  
(Portfolio Management Division)

Authorised Signatory  
Date: July 13, 2018  
Place: Mumbai