

Baroda Pioneer Mutual Fund

Statement of Additional Information (SAI)



बैंक ऑफ़ बड़ौदा
Bank of Baroda



PIONEER
Investments®

This Statement of Additional Information (SAI) contains details of Baroda Pioneer Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Documents).

The SAI is dated 13 July 2009.

Information About The Sponsor, AMC And Trustee Companies

A. CONSTITUTION OF THE MUTUAL FUND

Baroda Pioneer Mutual Fund, formerly known as BOB Mutual Fund (“the Mutual Fund” or “the Fund”) has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) on 30th October 1992. The trust deed has been registered under the Indian Registration Act, 1908. The Mutual Fund is registered with SEBI under Registration No. MF/018/94/2, dated November 24, 1994.

BOB Mutual Fund was established by Bank of Baroda by execution of a Trust Deed dated October 30, 1992. Pioneer Global Asset Management SpA has acquired 51% of the shareholding of BOB Asset Management Company Limited and is the co- sponsor of the BOB Mutual Fund. SEBI has approved the name of the fund to be changed to Baroda Pioneer Mutual Fund vide its letter IMD/RB/134922/08 dated August 12, 2008.

B. Sponsors

Baroda Pioneer Mutual Fund (“the Fund”) was set up as a Trust sponsored by Bank of Baroda. The sponsor is the settlor of the Mutual Fund Trust. Following its acquisition of 51% of BOB Asset Management Company, Pioneer Global Asset Management SpA is the co-sponsor of the Baroda Pioneer Mutual Fund.

Pioneer Global Asset Management S.p.A

With 80 years’ experience in fund management, Pioneer Investments (the “Group”) has a history few asset management companies can match. Pioneer Investments flagship fund, Pioneer Fund™, is the third oldest mutual fund in the United States. It has not only weathered volatile market conditions, but has outperformed common stocks, long term bonds, US Treasury Bills and inflation since its foundation in 1928.

Innovation is part of Pioneer heritage. At the forefront of the establishment of the modern US mutual fund industry, Pioneer Investments is an industry leader in the development of this market in Europe. The Group was the first asset management company to launch investment funds in Italy, first in Germany to register US mutual funds under the Foreign Investments Act, and first to distribute open-ended investment funds in Poland. In 2002 it acquired the Momentum Group, which in keeping with Pioneer Investments’ tradition of innovation, is one of the founders of the funds of hedge funds industry.

In October 2000, UniCredito Italiano S.p.A. (“UCI”) completed its acquisition of the Pioneer Group, Inc., further bolstering the capabilities of its asset management operations in Milan and Dublin. Through the consolidation of these powerful investment houses, Pioneer Investments is ideally positioned to expand its global reach and penetrate deeper into each market.

The main activity of Pioneer Investments is the management and distribution of over 180 investment funds and alternative investments. With investment centres in Boston, Dublin, Milan and Singapore it manage assets worth 159 billion as on 31st May 2009. Headquartered in Milan, Pioneer Investments has a presence in over 31 countries around the world.

The investment process is active, bottom-up and research-driven, based upon the principles of fundamental investing that Pioneer Investments has used since 1928. The approach enables Pioneer Investments to make informed judgements about how industries and companies have operated in the past, about their future behaviour and about the effects of these variables on stock prices. We add a strong quantitative discipline to this process, which supports the work of fundamental analysts and keeps a close check on the investment risks for its funds.

** Pioneer Investments is a trading name of the Pioneer Global Asset Management S.p.A. group of companies (“PGAM”). PGAM is a wholly owned subsidiary of UniCredit S.p.A.*

Pioneer Investments operates in markets through its trademark “Pioneer Investments”

	(Rupees in Crore as at end December)		
Particulars	2006	2007	2008
Total Income	2166.57	2552.54	2929.36
Profit After Tax	1967.28	2492.54	2423.85
Reserves & Surplus	3395.33	4013.65	5903.07
Net worth	10224.72	10860.63	14208.18
Assets Under Management (if applicable)	N.A	N.A	N.A.

Bank of Baroda

Bank of Baroda, a Body Corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and having its Head office at Mandvi, Baroda and Central Office at Baroda Corporate Centre, C-26, G-Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051, is the co- sponsor of Baroda Pioneer Mutual Fund. The Sponsor has contributed a sum of Rs. 10 Lacs towards the establishment of Baroda Pioneer Mutual Fund. The Sponsor is not responsible or liable for any loss resulting from the operation of the Schemes beyond the initial contribution of the said sum of Rupees Ten Lacs made by it towards setting up of Baroda Pioneer Mutual Fund.

To diversify its business activities and to perform specialised functions, the Bank has the following subsidiaries in India:

In the Indian banking universe, Bank of Baroda occupies a distinct position. Bank of Baroda is a state-owned bank with more than 100 years of successful existence.

The biggest strength is its uninterrupted profit performance and consistent record in dividend payments. The name inspires confidence among its customers. The track record in the market, the sound financials, its contribution to social sectors and even to policy-making has given the Bank a unique place in the marketplace.

Bank of Baroda's vast distribution channel of domestic branches (at 2,926 on 31st March, 2009), extension counters and ATMs (at 1,179), and a strong international presence in 25 countries (excluding India) covering regions like U.S.A., U.K., Africa, Middle East and Asia-Pacific zones has ensured a wide global client base of 36.5 million.

During the financial year 2008-09, Bank touched a global business level of 3,36,383 crore reflecting a growth of 30% (Y-o-Y). The level of net profit at Rs 2,227 crore reflected a robust year-on-year growth of 55.2%. On the front of asset quality management, while the gross NPA declined from 2.47% in 2006-07 to 1.27% in 2008-09, the net NPA declined from 0.60% to 0.31%. Bank of Baroda enjoyed the CRAR of 14.05% (as per the Basel II). While the ROAA stood at 1.09%, the ROE stood at 19.56% at end-March 2009.

Name of the Subsidiary	Principal Business
BOB Capital Markets Ltd.	Merchant Banking & Primary Dealership in Govt. Securities
BOB Cards Ltd.	Credit Card Operations
Nanital Bank Limited	Banking

The financial performance of the Sponsor during the last 3 years is as under.

BOARD OF TRUSTEES

Name	Age	Qualification	Brief Experience
Shri R. L. Baxi Chairman Independent Trustee	71	B.Com, LLB, F.C.I.I(London), F.F.I.I.	Mr. R L Baxi has more than 47 year of experience in insurance, investments, accounts and administration. He worked as a General Manager in Indian Mercantile Insurance Co. Ltd, GIC, National Insurance Company and The New India Assurance Co. Ltd. He also worked as Director & General Manager of The New India Assurance Co. Ltd. Mr. Baxi is a Director at various companies.
Shri Shrinivas K Suvarna Independent Trustee	66	B. Com, LLB, CAIIB	Mr. Shrinivas K Suvarna has over three decades of experience in the banking, finance, accounts, administration and consulting. He has retired from Bank of Baroda as a Deputy General Manager.
Shri. V. H. Bhatia Independent Trustee	70	B. Com, ACA	Mr. V H Bhatia has more than 40 year of experience in Banking, Finance, Accounts and General Administration. He retired from the Bank of Baroda as a General Manager.
Shri D Sarkar Associate Trustee	56	M.Com, FCA, CAIIB	Mr. D Sarkar represents Bank of Baroda on Board of Trustee. He is General Manager of Bank of Baroda, having more than 30 year of experience in Banking, Finance, Accounts and General Administration.

(ii) Supervisory role of the Trustees

The Board of Trustees monitors the activities of the AMC. From time to time it seeks information from the AMC in the form of Performance Reports, Compliance Reports, etc. On a quarterly basis, a review report is prepared by the AMC and the same is placed at the board meetings of the Trustee Company. Specific approval of the Trustees is also obtained on various important matters. The Audit Committee, comprising of three trustees on the board of the Trustee and an Independent Director Chairs the Committee, has been constituted pursuant to the SEBI circular MFD/CIR/010/024/ 2000 dated January 17, 2000 to, inter alia, review internal audit systems and reports

Particulars	(Rupees in Crore)		
	2006-2007	2007-2008	2008-2009
Total Income	10385	13864	17754
Profit After Tax	1026	1435	2227
Reserves & Surplus	8284	9161	
Net worth (equity capital plus free reserve)	8436	9526	11386
Assets Under Management (if applicable)	N.A	N.A	N.A.

C. The Trustee: Baroda Pioneer Mutual Fund

The Board of Trustees shall discharge its obligation as Trustee of Baroda Pioneer Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

The registered address of Baroda Pioneer Mutual Fund is 501, Titanium, 5th Floor, Western Express Highway, Goregaon (E), Mumbai - 400063.

Board of Trustees

The Board of Trustees shall discharge its obligation as Trustee of Baroda Pioneer Mutual Fund.

from internal and concurrent auditors. During the year 2008-09, seven meeting of Board of Trustees were held. The registered address of Baroda Pioneer Mutual Fund is 501, Titanium, 5th Floor, Western Express Highway, Goregaon (E), Mumbai - 400063.

Rights, Duties and Responsibilities of the Trustees

As per the Trust Deed and the SEBI (Mutual Funds) Regulations, 1996, the Trustees have several rights, duties and responsibilities including the following:

1. To enter into an investment management agreement with the AMC with the prior approval of SEBI.
2. To ensure that the investment management agreement

- contains such clauses as per mentioned in the Fourth Schedule of SEBI Regulation and such other clause as are necessary for the purpose of making investment.
3. The Trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.
 4. To ensure before launch of any Schemes that the AMC has: -
 - i. Systems in place for the back office, dealing room and accounting;
 - ii. Appointed all key personnel including Fund Manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualification, past experience in the securities market with the trustees, within 15 days of their appointment;
 - iii. Appointed auditors to audit its accounts;
 - iv. Appointed a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulation, notification, guidelines instruction, etc., Issued by the Board or the Central Government and for redressal of investor's grievances;
 - v. Appointed the registrar and laid down parameters for their supervision.
 - vi. Prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - vii. Specified norms for empanelment of broker and marketing agents.
 5. To ensure that the AMC has been diligent in empanelling the brokers, in monitoring securities transaction with the brokers and avoiding undue concentration of business with any broker.
 6. To ensure that the AMC has not given any undue and unfair advantage to any associate or dealt with any of the associate of the asset management company in any manner detrimental to the interest of the unit-holders.
 7. The Trustees shall ensure that the transactions entered into by the asset management company are in accordance with these regulation and the Schemes.
 8. To ensure that the AMC has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interests of one scheme are nor being compromised with those of any other schemes or of other activities of the asset management company.
 9. To ensure that all the activities of the AMC are in accordance with the provision of SEBI (Mutual Fund) Regulations, 1996.
 10. Where the trustees have reason to believe that the conduct of the business of the mutual fund is not in accordance with SEBI Regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform SEBI of the violation and the action taken by them.
 11. To file the details of his/her transaction of dealing in securities with the Fund on a quarterly basis.
 12. To be accountable for, and be the custodian of, the funds and the property of the respective scheme and to hold the same in trust or the benefit of the unit holders in accordance with the SEBI regulation and the provision of the trust deed.
 13. To take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.
 14. To be responsible for the calculation of any income due to be paid to the mutual fund and also of any income received in the mutual fund for the holder of the units of any schemes in accordance with SEBI (Mutual Fund) Regulations and the trust deed.
 15. To obtain consent of the unit holders:
 - i. Whenever required to do so by the board in the interest of the unit holders or;
 - ii. Whenever required to do so on the requisition made by three fourth of the unit holders of any Schemes;
 - iii. When the majority of the trustees decide to wind up or prematurely redeem the units;
 16. To call for details of transaction in securities by the Key personnel of the AMC in his own name or on behalf of the AMC and shall report to the SEBI, as and when required.
 17. To quarterly review all transaction carried out between the mutual fund, Asset Management Company and its associates.
 18. To quarterly review the net worth of the AMC and in case of any shortfall, ensure that the AMC make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21 of SEBI (Mutual Fund) Regulations, 1996.
 19. To periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unit-holders.
 20. To ensure that there is no conflict of interest between the manner of deployment of its net worth by AMC and the interest of unit holders.
 21. To periodically review the investor complaints received and the redressal of the same by the AMC.
 22. To abide by the code of conduct as specified in the fifth schedule of SEBI (Mutual Fund) Regulations, 1996.

23. To furnish to SEBI on a half yearly basis:-
- i. a report on the activity of the mutual fund
 - ii. a certificate stating that the trustees have satisfied themselves that there have been no instance of self dealing or front running by any of the trustees, directors and key personnel of the AMC;
 - iii. a certificate to the effect that the AMC has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub- regulation (2) of regulation 24 of SEBI Regulation have been undertaken by the AMC and has taken adequate steps to ensure that that the interest of the unit holders are protected.
24. The independent trustee referred to in regulation 16 shall give their comments on the report received from the AMC regarding the investments made by the schemes in the securities of group companies of the sponsor.
25. The trustees shall ensure that no change in the fundamental attribute of any scheme or the trust or fees and expenses payable or any change which would modify the scheme and affects the interest of unit holders, shall be carried out unless,
- i. a written communication about the proposed change is sent to each unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the head office of the mutual fund is situated; and
 - ii. the unit holders are given an option to exit at the prevailing Net Asset Value without any Exit load in accordance with the terms of this offer document.

Explanation: For the purpose of this clause “fundamental attributes” means the investment objectives and term of the schemes as defined later in the offer Document under the section “Investment objectives and Policies”

26. To maintain arms’ length relationship with other companies, or institution or financial intermediaries or any body corporate with which he may be associated.
27. To ensure that no Trustee shall participate in the meetings of the board of Trustee or Trustee Company when any decisions for investments in which he may be interested are taken.
28. To furnish to the board of Trustee or trustee company particulars of interest which he may have in any other company, or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.
29. To appoint a custodian and shall be responsible for the supervision of its activities in relation to the mutual fund and shall enter into a custodian agreement with the custodian for this purpose.

30. To ensure that the removal of trustees in all case would require the prior approval of SEBI.
31. To ensure that the Trustee may dismiss the AMC under the specific events only with the approval of SEBI and in accordance with the SEBI Regulations.
32. To forbid the acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited and shall not result in encumbrance of the trust property in any way.
33. To provide or cause to provide information to unitholders and SEBI as may be specified by SEBI.

As per the sub-regulation (25) of the SEBI Regulations, the trustees shall exercise due diligence as under:

A. General Due Diligence

- I. The Trustees shall be discerning in the appointment of the directors on the Board of Asset Management Company.
- ii. Trustees shall review the desirability of continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float the new schemes.
- iii. The trustees shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
- iv. The trustee shall ensure that all services providers are holding appropriate registration from the board of concerned regulatory authority.
- v. The trustees shall arrange for test checks of service contracts.
- vi. Trustees shall immediately report to Board of any special development in the mutual fund.

B. Specific Due Diligence

The Trustees shall:

- i. Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustees
- ii. Obtain compliance certificates at regular intervals from the asset management company.
- iii. Hold meeting of trustees at frequent intervals.
- iv. Consider the reports of the independent auditors and compliance reports of Asset Management Company at the meetings of trustees for appropriate action.
- v. Maintain records of the decision of the trustees at their meetings and of the minutes of the meetings.
- vi. Prescribe the adhere to a code of ethics by the trustees, Asset management company and its personnel.
- vii. Communicate in writing to the asset management company of the deficiencies and checking on the rectification of deficiencies.

Notwithstanding the aforesaid, the trustee shall not be held liable for acts done in good faith if they have exercised adequate due diligence honestly.

34. The Independent Directors of the trustees or the asset management company shall pay specific attention to the following, as may be applicable, namely:-
- i. The Investment Management Agreement and the compensation paid under the agreement;
 - ii. Service contracts with affiliates-whether the asset management company has charged higher fees than outside contracts for the same services;
 - iii. Selection of the assets management company's independent directors;
 - iv. Securities transaction involving affiliates to the extent such transaction are permitted;
 - v. Selecting and nominating individuals to fill independent directors vacancies;
 - vi. Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions;
 - vii. The reasonableness of fees paid to sponsor, asset management company and any other for service provided;
 - viii. Principal underwriting contracts and their renewals;
 - ix. Any service contracts with the associates of the asset management company.

Modification of Trust Deed

No amendment on trust deed will be carried out without the prior approval of the SEBI and the unit holders approval would be obtained where it affects the interest of unit holders.

D. Asset Management Company

Baroda Pioneer Asset Management Company Ltd. (BPAMC) has been acting as the Investment Manager for the Baroda Pioneer Mutual Fund and continues to do so. Further details about Baroda Pioneer Asset Management Company are as follows:

About Baroda Pioneer Asset Management Company Ltd.

Baroda Pioneer Asset Management Company Limited, formerly known as as BOB Asset Management Company Ltd, has been incorporated under the provisions of the Companies Act, 1956 on 5th November 1992. The company was a wholly owned subsidiary of Bank of Baroda. On 27th June 2008, Pioneer Global Asset Management SpA, Italy acquired a 51% shareholding of BOB Asset Management Company Limited, Subsequently, the name of the AMC was changed to Baroda Pioneer Asset Management Company Limited and a fresh Certificate of Incorporation issued by the Registrar of Companies on 8th July 2008. As per the SEBI (Mutual Funds) Regulations, 1996, at least 50% of the Board of Directors is Independent members and the remaining are nominated for appointment by the Sponsor of the AMC.

The registered officer of the Baroda Pioneer Asset Management Company Limited is 501, Titanium, 5th Floor, Western Express Highway, Goregaon (E), Mumbai - 400063.

The present shareholding pattern of the Baroda Pioneer AMC is as follows:

Name of Shareholders	% Holding
Pioneer Global Asset Management SpA	51%
Bank of Baroda and its Nominee	49%

(i) Details of AMC Directors:

Name	Age	Qualification	Brief Experience
Dr. Anil K. Khandelwal Chairman Associate Director	61	B.Sc (Chemical Eng), MBA, LLB, PHD	Dr. Anil K Khandelwal, Chairman, Baroda Pioneer Asset Management Co. Ltd, has a brilliant academic career and over three decades of banking experience. A chemical engineer with an MBA and a degree in Law, he also holds a Doctoral Degree in Management. He is also a Fellow of the Indian Institute OF Banking & Finance. Dr. Khandelwal was also the Chairman & Managing Director of Bank of Baroda, from March 2005 to March 2008 before he took over as the Chairman of Baroda Pioneer AMC. Prior to this, he was the Chairman of Dena Bank for a year till February 2005.
Mr. Dario Frigerio Associate Director	46	First Class Honours from Bocconi University, Milan	Mr. Dario Frigerio is the Chief Executive Officer of Pioneer Global Asset Management S.p.A. and the Head of the Wealth Management Division of UniCredito Italiano. He has served various roles within the Group including that of Vice Chairman of Pioneer Investments, Boston (2001-04), CEO of Pioneer Investments, Ireland(2000-01) and CIO of Europlus Research & Management, Ireland (1998-2000). He is also a director of various companies of the UniCredit Group.

Name	Age	Qualification	Brief Experience
Mr. M. D. Mallya Associate Director	57	BE, Post Graduate Diploma in Management	Mr. M. D. Mallya, Chairman and Managing Director Bank of Baroda. Prior to joining the Bank, he was the Chairman & Managing Director of Bank of Maharashtra. Mr. Mallya has Bachelor of Engineering with Distinction from Karnataka Regional Engineering College, Suratkal. Subsequently, he completed post-graduation Diploma in Management from Indian Institute of Science, Bangalore with Distinction. In a career spanning over 31 years, he acquired a rich experience in banking at various positions and assignments.
Mr. Angus William Stening Associate Director	44	Diploma in Business Accounting, Sydney Institute of Technology	Mr. Angus William Stening CEO, Asia & Emerging Markets Division PIONEER INVESTMENTS. Prior to assuming his current role, Mr. Stening was Head of Central & Eastern Europe based in Prague where he successfully managed the expansion and strategic development of Pioneer Investments' presence across the region to a market leading position. Angus joined Pioneer Investments in 1999.
Mr. S. Bhattacharya Associate Director	59	M.Sc, CAIIB	Mr S. Bhattacharya was the Managing Director of Baroda Pioneer Asset Management Co. Ltd. till July 2008. He is currently posted as General Manager, Bank of Baroda. Earlier he has served on various positions in Bank of Baroda. He also a director in Baroda L&G Life Insurance Company Limited.
Prof B. B. Bhattacharya Independent Director	64	M.A.(Economics), Ph.D (Economics)	Professor B.B. Bhattacharya is currently the Vice-Chancellor of Jawaharlal Nehru University, New Delhi. Prior to this post Prof. Bhattacharya was Director (2001-2005) and Professor (1981 onwards) at the Institute of Economic Growth, Delhi. He passed M.A. in Economics from the University of Allahabad in 1966 with first position in the order of Merit and obtained Ph.D. in Economics from Delhi School of Economics, University of Delhi in 1971. He was UNESCO Fellow at Polish Academy of Sciences, Warsaw in 1974 and Ford Foundation post doctoral fellow at the University of California, Berkeley in 1980-81.
Dr. P. N. Khandwalla Independent Director	69	B.Com, MBA, MSIA, PhD, CA	Dr. P. Khandwalla serves as a Consultant to many Indian and international organisations in the areas of team building, innovative excellence, management and organisational restructuring and creativity training. Prof. Khandwalla served as L&T Chair Professor of Organisational Behaviour at IIMA from 1985 to 1991. He was associated with the Indian Institute of Management, Ahmedabad as a Professor from 1975 to 2002. He has won many international and Indian awards. Prof. Khandwalla is an Associate Member of the Institute of Chartered Accountants of India. He taught at McGill University, Canada for several years. He has done his MBA from Wharton, Pennsylvania and Ph.D. from Carnegie-Mellon, USA.
Mr. G. P. Gupta Independent Director	68	M.Com, Delhi University	Mr. G.P. Gupta was the Chairman of Industrial Development Bank of India (IDBI). He has rich experience in banking, Finance and other sectors of the Indian Economy. Mr. Gupta was also the Chairman of Unit Trust of India (January 1997 - June 1998) and has served in various roles ending as Executive Director at Industrial Development Bank of India (1969 - 1996). He is a Director on various companies and member of various committees.
Mr. Shiv Dayal Independent Director	45	Masters from London Business School	Mr. Shiv Dayal is the Founder and Managing Director of Langham Capital He is also the Chairman of F1F9 (India) Private Ltd. Prior to founding Langham Capital, Mr. Dayal managed two technology ventures in Europe, worked in the Mergers & Acquisitions groups at JPMorgan and Dresdner Kleinwort Benson in London and New York. Mr. Shiv Dayal has a Bachelor degree in Economics from the University of Sussex, a Masters degree in Development Economics from the University of East Anglia and an MBA from London Business School. He is also a Director at various companies.

Name	Age	Qualification	Brief Experience
Mr. Rohit Arora Independent Director	50	B.Com (Hons), Chartered Accountants	Mr. Rohit Arora, Founder & Chairman, EMR Technology Ventures Private Limited. He has over two decades of experience in business process outsourcing, investment banking and management consulting. He has advised Fortune 1000 corporations on their India entry strategy including identifications, negotiations and selection of joint venture partners. Mr. Arora is also the founder director of AR Credit. He was earlier the Managing Director of AIA Capital India Pvt. Ltd, the Investment Banking arm of AIG - American International Group. Mr. Arora is a fellow member of the Institute of Chartered Accountants of India.

(ii) Duties and Obligation of Asset Management Company

Duties and obligation of the AMC as specified in the SEBI Mutual Fund Regulations are as under:

1. The asset management company shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.
2. The asset management company shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
3. The asset management company shall be responsible for the acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.
4. The asset management company shall submit to the trustees quarterly reports of each year on its activities and the compliance with these regulations.
5. The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time:

Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.
6. Notwithstanding anything contained in any contract or agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omissions, while holding such position or office.
7. The Chief Executive Officer (whatever his designation may be) of the asset management company shall ensure that the mutual fund complies with all the

provisions of the regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the mutual fund.

Explanation: For the purpose of this sub-regulation, the words 'these regulations' shall mean and include the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

8. The fund manager (whatever the designation may be) shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unit holders.
9. a. An asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes.

Provided that for the purpose of this sub-regulation, aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund.

Provided further that the aforesaid limit of 5% shall apply for a block of any three months.
- b. An asset management company shall not purchase or sell securities through any broker [other than a broker referred to in clause (a) of sub-regulation (7)] which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes, unless the asset management company has recorded in writing the justification for exceeding the limit of 5% and reports of all such investments are sent to the trustees on a quarterly basis.

Provided that the aforesaid limit shall apply for a block of three months.

10. An asset management company shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities:
- Provided that an asset management company may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.
- Provided further that the mutual funds shall disclose at the time of declaring half-yearly and yearly results;
- a) Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities associate companies,
 - b) Devolvement, if any,
 - c) Subscription by the schemes in the issues lead managed by associate companies
 - d) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
11. The asset management company shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to the Board, as and when required by the Board.
12. In case the asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.
13. In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
14. The asset management company shall file with the Trustee and the Board -
- (a) Detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and
 - (b) Any change in the interests of directors every six months.
 - (c) A quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the asset management company as the case may be, by the mutual fund during the said quarter.
15. Each director of the Asset Management Company shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with the guidelines issued by the Board.
16. The asset management company shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
17. The asset management company shall appoint registrars and share transfer agents who are registered with the Board.
- Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
18. The asset management company shall abide by the Code of Conduct as specified in the Fifth Schedule.
- Further the Asset Management Company shall ensure the following
- a) Not to acquire any of the assets out of the Scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the Scheme property in any way.
 - b) Not to take up any activity in contravention of the SEBI Regulations.
 - c) To ensure that no loss or damage or expenses incurred by the AMC or officers of AMC or any person delegated by the AMC, shall be met out of the trust property.

Key Personnel of Investment Manager

Name of designation	Age	Qualification	Brief Experience
Mr. Rajan Krishnan Chief Executive Officer	47	BA (H) Economics, PGDBM from XLRI Jamshedpur	Mr. Rajan Krishnan is a B.A (Hons) from Delhi University and a PGDBM from XLRI, Jamshedpur having over 23 years of experience in marketing, of which 14 years are in the mutual fund industry. Mr Krishnan is the Chief Executive Officer of Baroda Pioneer Asset management Co. Ltd. since 8th July 2008. Prior to his appointment, he was the Business Head (Asset Management)-Principal Pnb Asset Management Company Pvt Ltd from June 2003 to March 2008, Vice President (Sales and Marketing) - Zurich Asset Management Company Pvt. Ltd. between Dec 1999 to June 2003 and Vice President (Sales)-Kothari Pioneer Asset Management Company Limited from September 1994 to December 1999
Ms. Sweata Shah- Ostrowska Chief Operating Officer	33	LLM, LLB (Hons) (University of Warwick, UK)	Ms. Sweata Shah-Ostrowska has over eight years of experience in the asset management industry having worked in Legal, Compliance, Marketing and Strategic Development. She has been appointed as the Chief Operating Officer for Baroda Pioneer Asset Management Co. Ltd. and prior to that was Head of Strategic Development India for Pioneer Investments. Prior to her assignment in India, she worked in the emerging markets division for the Pioneer Group in Milan. She has served as Head of Marketing & Business Development for Old Mutual Kenya and has worked with Credit Suisse Asset Management (London) in the Legal & Compliance Division.
Abhay Nagar Vice President & Head of Sales	36	MBA Finance	Mr. Abhay Nagar brings with him over 14 years of rich experience in financial markets. Prior to joining Baroda Pioneer Mutual Fund, he was the Vice President and Head-Retail Sales at Tata Mutual Fund. Prior to moving to Mumbai, as All India Head-Retail, served the organization based out of New Delhi as Regional Manager-North. Mr. Nagar has a Masters in Business Administration with specialization in Finance.
Krishna Kumar Kushwaha Company Secretary, Risk & Compliance Officer	33	B.Com, ACS	Mr. Krishna Kumar Kushwaha is B.Com, ACS, having post and pre qualification experience of over 6 year. His assignment includes compliances with Companies Act, SEBI Act etc. He was previously associated with various organizations in Delhi and attended matters dealing with ROC, CLB, SEBI, Stock Exchanges and RBI Compliances.
Dipak Acharya Fund Manager (Equity)	42	MCom. AICWA, CAIIB	Mr. Dipak Acharya is a M.Com, ICWA and CAIIB having 16 years of experience in Investment area, of which 5 years are in the mutual fund industry. He is working with Baroda Pioneer Asset Management Company Ltd. as Fund Manager- Equity. Prior to this, he has been Fund Manager-Debt and Fund Manager-Equity with BOB Asset Management Company Ltd. Prior to that he has worked for 10 years in the Treasury Branch and Credit Deptt of Bank of Baroda
Alok Sahoo Head, Fixed Income	33	BE, MBA (Finance, Xavier Institute of Management, Bhubaneswar)	He is a management graduate in Finance from XIM, Bhubaneswar having BE degree from NIT, Rourkela. He has been working in the investment area in asset management for 9 years. Prior to Baroda Pioneer Mutual Fund, he has been fixed income fund manager at UTI Mutual Fund and HSBC Mutual Fund. He was also the Fund Manager for Employee Provident Fund at HSBC Asset Management. He has experience in the credit research of companies as well.
Hetal P. Shah Fund Manager (Debt)	28	B.Com, MBA, and JAIIB	Ms. Hetal P. Shah is a B.Com, MBA, and JAIIB having 9 year of experience in Treasury and Fund Management. Before joining Baroda Pioneer Asset Management Co. Ltd. She was working in the Treasury Department with Bank of India since May 1999.
Amitabh Ambastha Investor Relation Officer	34	PGDM; PGD PM&IR; NSDL & Commodity Market Certification	Mr. Amitabh Ambastha is a PGDM; PGD PM&IR; NSDL & Commodity Market Certification having 10 year of experience in Investor Service Operations. Before joining Baroda Pioneer Asset Management Co. Ltd. he worked with the TATA Mutual Fund (July 2005- Aug 2008) and UTI Technology Services Ltd. (June 1998 –June 2005).

Procedures followed for Investment decisions

The Board of Directors of Baroda Pioneer Asset Management Company Ltd has appointed "Investment Committee" (a Committee having Board representation) to review the Investment activities of the Company. First time investment decisions in respect of equities/equities related instruments of a company will be taken by the Investment Committee (IC). The Investment Committee may invest in the equity shares of the company, which is on the Specified/A Group of BSE/ NIFTY/ NIFTY JUNIOR on the date of investments either from primary or from secondary market subject to such investments in one company not exceeding 5% of total assets of the each scheme.

The process of approval and execution of individual transactions is done by the investment team comprising of Head of Fixed Income, Fund Manager-Equity and Fund Manager-Fixed Income. The investment decisions are taken considering the factors like economic scenario, fundamental analysis, technical analysis, interest rate movements, liquidity, industry weight age, etc. All the investment decisions are recorded on a daily basis.

The performance of each Scheme is monitored by the board of AMC and trustees on periodic basis vis-à-vis BSE Sensex as a benchmark for investment in equity & equity related instruments and I-Sec Mi-Bex, Crisil Composite Bond Fund Index, Crisil Liquid Fund Index and Crisil Balanced Fund Index, as benchmark indices for debt funds.

Industry-wise exposure of the scheme shall be reported to the Investment Committee on regular basis.

Investors Services Please Contact:

Baroda Pioneer Mutual Fund
501, Titanium, 5th Floor,
Western Express Highway,
Goregaon (E), Mumbai.
Ph No. +91 22 37041000
Fax No. +91 22 30741001
E-mail: info@barodapioneer.in

E. Service Providers

Custodian

CITI BANK N.A. (SEBI Registration Number:IN/CUS/004) situated at 77 Ramnord House, Dr. Annie Besant Road, Mumbai-400018 are the custodian for all the Schemes of Baroda Pioneer Mutual Fund and they have also been appointed as Custodian for the proposed Scheme. The important duties and obligations of the Custodians in terms of Custodial Agreement entered with them are as under:

- a) All securities/investments of the Schemes shall be in the custody of the Custodian.
- b) The Custodian will deliver/receive securities directly to and from the parties and shall receive or make payment on receipt of written instructions from Baroda Pioneer Mutual Fund or any other person authorised by Baroda Pioneer Mutual Fund.
- c) The Custodian will be responsible for loss or damage to the securities due to its negligence or negligence of its employees and approved agents.
- d) The Custodian will ensure smooth inflow/outflow of securities and such other instruments as and when necessary in the best interest of the investors.
- e) The Custodian will ensure that the benefits due to the holdings are recovered.
- f) The Custodian is entitled to remuneration for its services in accordance with the terms of the existing Custodial Agreement which inter alia provides that the custodian will charge the Schemes a fee at the following rates apart from reimbursement of out of pocket expenses:

Registrar and Transfer Agents

Karvy Computershare (Pvt.) Ltd. having its registered office at Karvy House, 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 are the Registrars and Transfer Agents for the Schemes.

Board of Trustees of Baroda Pioneer Mutual Fund and Baroda Pioneer Asset Management Co. Ltd. have ensured that the Registrars are registered with SEBI having valid certificate and also adequate facilities to discharge the responsibilities with regard to processing of applications, dispatch of Account Statement/Unit certificates to Unitholders within the time limit prescribed by SEBI (Mutual Funds) Regulations, 1996 and also have sufficient capacity to handle investors' complaints. It has also been ensured that Karvy Computershare (Pvt) Ltd. has adequate facilities, processes, etc. to address risk management issues prescribed by SEBI. The Registration Number of Karvy Computershare (Pvt.) Ltd is INR000000221.

Legal Counsel

Based on the issue on hand, the AMC appoints appropriate legal counsel on a case to case basis.

Fund Accountant

CITIBANK N.A. situated at 1st Floor, Ramnord House,

Dr. Annie Besant Road, Worli, Mumbai-400018 are the appointed as the fund accountant for all the Schemes of Baroda Pioneer Mutual Fund and they have also been appointed as fund accountant for the proposed Scheme.

Statutory Auditors

Auditors of the Baroda Pioneer Mutual Fund

M/s. Borkar & Muzumdar, Chartered Accountants, having their office at 235-37, Piramal Mansion, D. N. Road, Mumbai - 400 001, were appointed as Statutory Auditors of Baroda Pioneer Mutual Fund for FY 2008-09. The Auditors of the Schemes are different from those of Baroda Pioneer AMC.

Auditor of the Baroda Pioneer Asset Management Company Limited

M/s BSR & Co Chartered Accountants, having their office at KPMG House, Kamla Mills Compound, 448, Senapati Bapat Marg, Lower Paral, Mumbai - 400013 were appointed as statutory auditors of BPAMC for FY 2008-09 . The auditors of BPAMC are different from the auditors of the Schemes.

Collecting Bankers

For Collecting Bankers to NFOs please refer Scheme Information Document of the respective scheme.

F. CONDENSED FINANCIAL INFORMATION

In the last three years Baroda Pioneer Mutual Fund has launched one scheme i.e Baroda Pioneer Global Fund (earlier known as Baroda Global Fund). The Condensed Financial Information of the scheme is as follows:

Baroda Pioneer Global Fund

Date of allotment	06.02.2006		
Historical Per Unit Statistics	2006-07	2007-08	2008-09
NAV at the beginning of the year (Rs.) (Dividend Plan)	9.9657	10.13	10.56
(Growth Plan)	9.9658	9.99	10.58
Dividends	--	NIL	Nil
Transfer to reserves (if any)	--	NIL	Nil
NAV at the end of the year (Rs.) (Dividend Plan)	10.11	12.77	8.05
(Growth Plan)	10.13	12.81	8.07
Annualised return (%) (Compounded) (Dividend Plan)			
(Growth Plan)	1.47	28.22%	-37.01%
Net Assets at the end of period (Rs. Crore)	8.59	3.25	1.67
Ratio of recurring expenses to net assets	1.82%	1.92%	2.18%

II. HOW TO APPLY

- 1) Applications complete in all respects together with necessary remittance may be submitted at any Investor Service Centers/Investor Service Desks or such collecting centers as may be designated by the AMC. The application amount in cheque or Demand Draft shall be payable to _____ (Please see the Key Information Memorandum & Application Form of the respective Scheme). The Cheques / Demand Drafts should be payable at the Centre where the application is lodged. No outstation cheques or stock invests or cash will be accepted.
- 2) Pursuant to AMFI Best Practice Guideline Circular No. 13/2007-08 dated October 3, 2007, Demand Draft charges if reimbursed to the unit holders are to be borne by the AMC and not to be charged to the scheme. Investors may please further note that in case of any application made through the Demand Draft, no Demand Draft charges will be reimbursed by the AMC in any case. The same will have to be borne by investors only.
- 3) Investors are advised to fill up the details of their bank account numbers on the application form in the space provided. In order to protect the interest of the Unit holders from fraudulent encashment of cheques, SEBI has made it mandatory for investors in mutual funds to state their bank account numbers in their applications. SEBI has also made it mandatory for investors to mention their Permanent Account Number (PAN) transacting in the units of Baroda Pioneer Mutual Fund, irrespective of the amount of transaction. Submission of copy of PAN card is mandatory for all categories of investors (including NRIs, Guardian of a minor) for transacting in units of Baroda Pioneer Mutual Fund. Submission of copy of PAN card by Guardian of a minor is mandatory for investments by minor whether copy of PAN of minor is provided or not. The verification of PAN would be carried out with the Income tax database. In case of failure, communication would be sent to the customers to provide the correct PAN details or communication from Income Tax authorities evidencing the validity of PAN. Such folios would be blocked for additional purchases and future SIP registrations till receipt of the above documents and verification with original. In case of web-based transactions, investors would be allowed to transact subject to PAN validation.
- 4) Investors are advised to retain the acknowledgement slip signed/ stamped by the collection centre where they submit the application.

5) Who can invest

Investors are advised to satisfy themselves that they are not prohibited by any law governing such entity and any Indian law from investing in the Scheme and are authorized to purchase units of mutual funds as per their respective constitutions, charter documents, corporate/ other authorizations and relevant statutory provisions. The following is an indicative list of persons who are generally eligible and may apply for subscription to the units of the scheme:

- Indian resident adult individuals, either singly or jointly (not exceeding three);
- Minor through parent/ lawful guardian; (please see the note below)
- Companies, bodies corporate, public sector undertakings, association of persons or bodies of individuals and societies registered under the Societies Registration Act, 1860;
- Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private Trusts authorised to invest in mutual fund schemes under their trust deeds;
- Partnership Firms constituted under the Partnership Act, 1932;
- A Hindu Undivided Family (HUF) through its Karta;
- Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;
- Non-Resident Indians (NRIs)/ Persons of Indian Origin (PIO) on full repatriation basis or on non repatriation basis;
- Foreign Institutional Investors (FIIs) registered with SEBI on full repatriation basis;
- Army, Air Force, Navy and other para-military funds and eligible institutions;
- Scientific and Industrial Research Organisations;
- Provident/ Pension/ Gratuity and such other Funds as and when permitted to invest;
- International Multilateral Agencies approved by the Government of India/ RBI; and
- The Trustee, AMC or Sponsor or their associates (if eligible and permitted under prevailing laws).
- A Mutual Fund through its schemes, including Fund of Funds schemes.

Note: Minor can invest in any scheme of Baroda Pioneer Mutual Fund through his/her guardian only. Minor Unit Holder on becoming major may inform the Registrar about attaining majority and provide his specimen signature duly authenticated by his banker as well as his details of bank

account and PAN (if required) to enable the Registrar to update their records and allow him to operate the Account in his own right.

Notes:

- a. Non Resident Indians and Persons of Indian Origin residing abroad (NRIs)/ Foreign Institutional Investors (FIIs) have been granted a general permission by Reserve Bank of India [Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 for investing in/ redeeming units of the mutual funds subject to conditions set out in the aforesaid regulations.
- b. In case of application under a Power of Attorney or by a limited company or a corporate body or an eligible institution or a registered society or a trust fund, the original Power of Attorney or a certified true copy duly notarised or the relevant resolution or authority to make the application as the case may be, or duly notarised copy thereof, alongwith a certified copy of the Memorandum and Articles of Association and/or bye-laws and/ or trust deed and/ or partnership deed and Certificate of Registration should be submitted. The officials should sign the application under their official designation. A list of specimen signatures of the authorised officials, duly certified/ attested should also be attached to the Application Form. In case of a Trust/ Fund it shall submit a resolution from the Trustee(s) authorizing such purchases and redemptions.

Applications not complying with the above are liable to be rejected.

- c. Returned cheques are liable not to be presented again for collection, and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges are liable to be debited to the investor.
- d. Any request for withdrawal of application made during the New Fund Offer Period will be treated as Redemption request and shall be processed at the Redemption Price based on the first NAV declared by the Scheme after the close of New Fund Offer.

6) Who cannot invest:

It should be noted that the following entities cannot invest in the scheme(s):

- a. Any individual who is a Foreign National
- b. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These would be firms

and societies which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs).

The AMC reserves the right to include/ exclude new/ existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any.

Subject to the Regulations, any application for Units may be accepted or rejected in the sole and absolute discretion of the AMC. For example, the AMC may reject any application for the Purchase of Units if the application is invalid or incomplete or if, in its opinion, increasing the size of any or all of the Scheme's Unit capital is not in the general interest of the Unit holders, or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit holders to accept such an application.

The AMC may need to obtain from the investor verification of identity or such other details relating to a subscription for Units as may be required under any applicable law, which may result in delay in processing the application.

7) Joint Applicants:

In the event an account has more than one registered owner, the first-named holder shall receive the Account Statements, all notices and correspondence with respect to the Account, as well as the proceeds of any redemption requests or dividends or other distributions. In addition, such Unit holders shall have the voting rights, as permitted, associated with such units, as per the applicable guidelines. Applicants can specify the 'mode of holding' in the application form as 'Joint' or 'Any one or Survivor'. In the case of holding specified as 'Joint', Redemptions would have to be signed by all joint holders in the same order as registered with the Mutual Fund. However, in cases of holding specified as 'Anyone or Survivor', any one of the Unit holders will have the power to make Redemption requests, without it being necessary for all the Unit holders to sign. However, in all cases, the proceeds of the Redemption will be paid only to the first-named holder.

8) Defective applications liable for rejection:

Applications not complete in any respect are liable to be rejected. In the event of non-allotment of Units, no interest will be paid on the money refunded. In case of any representation to the AMC against the disqualification of any application, the decision of the AMC will be final.

- 9) Investors are requested to provide these details in the space provided in the application form. This measure is intended to avoid fraud/ misuse or theft while investing in units of Baroda Pioneer Mutual Fund. Kindly note that the applications received which are incomplete or insufficient information is provided by the investors, are liable to be rejected. In the event of non-allotment of units, no interest will be paid on the money refunded.

III. RIGHTS OF UNITHOLDERS OF THE SCHEME

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be dispatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption/ Switch of Units shall be dispatched to the Unit holder within 10 business days of the Specified Redemption Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch redemption proceeds within 10 business days of receiving the redemption request. In case the AMC fails to dispatch redemption proceeds within the stipulated time, interest at the rate of 15% p.a. will be paid to such investors.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
 - a. Whenever required to do so by SEBI, in the interest of the Unit holders.
 - b. Whenever required to do so if a requisition is made by three-fourths of the Unit holders of the Scheme.
 - c. When the Trustee decides to wind up the Scheme or prematurely redeem the Units.
 - d. The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change

which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless:

- (i) A written communication about the proposed change is sent to each Unit holder and an advertisement is to be given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
 - (ii) The Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
8. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.
9. Suspension or restriction of repurchase/ redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the Asset Management Company and the Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.
10. The following would be the procedure for seeking approval of the Unit holders in specified circumstances.
- (i) The Mutual Fund shall first determine a cut off date for ascertaining the names of the Unit holders whose consent is to be sought. This may necessitate the closing of books and register of Unit holders, if any, and suspension of approval of the sale and purchase of Units for a short period prior to the cut off date.
 - (ii) The Trustees of the Mutual Fund shall pass a resolution for convening a meeting of the general body of the Unit holders and give a notice at least 21 days before the meeting to all Unit holders specifying the date, time, venue and purpose of holding the meeting and publish the public notice in at least two leading newspapers circulated in Mumbai including one English and one Marathi newspaper.
 - (iii) At the meeting so convened, 5 Unit holders personally present shall constitute the quorum for the meeting and the Unit holders personally present at the meeting shall elect one of themselves to be the Chairman thereof by a show of hands. The Chairman of the meeting shall have the power to regulate the procedure at the meetings.

- (iv) At the meeting, the amendment proposed shall be put to vote and shall be decided in the first instance by a show of hands, unless a poll is demanded. A poll demanded shall be taken at such time not being later than 48 hours from the time when the demand was made, as the Chairman may direct. The result of the poll would determine whether the amendment proposed will be passed or not.
- (v) Before or on the declaration of the result of voting on a proposed amendment by a show of hands, a poll may be ordered to be taken by the Chairman, of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Unit Holder or Unit holders, holding units having a issue price of not less than Rs. 50,000/-.

IV. NET ASSET VALUE (NAV) AND VALUATION OF ASSETS OF THE SCHEMES

Valuation of assets

Valuation of Assets, computation of NAV, Repurchase Price and their frequency of disclosure will be in accordance with the provisions of SEBI Regulations /Guidelines/Directives issued by SEBI from time to time. The assets of the Scheme will be valued based on the following valuation norms.

1. Traded Securities

- a) Traded securities shall be valued at the last quoted closing prices on the stock exchange.
- b) When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. The AMC will select the appropriate stock exchange and will record the reason for such selection. All scrips may be valued at the prices quoted on the stock exchange where a majority in value of investments are principally traded.
- c) Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the Asset Management Company.
- d) When a security is not traded on selected stock exchange on a particular valuation day, the value at which it was traded on another stock exchange may be used.
- e) When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on any stock exchange on the earliest previous

day may be used provided such date is not more than thirty days prior to the valuation date.

- f) When a debt security (other than Government Securities) is not traded on any stock exchange on any particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to valuation date.
- g) When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase

B. Thinly Traded Securities

a. Thinly Traded Equity/ Equity Related Securities:

When trading in an equity/ equity related security (such as convertible debentures, equity warrants, etc.) in a month is less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly.

For example, if the volume of trade is 100,000 and value is Rs. 400,000, the share does not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rs. 600,000, the share does not qualify as thinly traded.

Where a stock exchange identifies the "thinly traded" securities by applying the above parameters for the preceding calendar month and publishes/provides the required information along with the daily quotations, the same can be used by the mutual funds.

If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly.

In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Asset Management Company/ Trustees will decide the valuation norms to be followed and such norms would be documented and recorded

Further it is clarified that in order to determine whether a security is thinly traded or not, the volumes traded in all recognized stock exchanges in India may be taken into account.

b. Thinly Traded Debt Securities:

A debt security (other than Government Securities) shall be considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs 5 Crore) on the principal stock exchange or any other stock exchange. A thinly traded debt security as defined above would be valued as per the norms set for non-traded debt security.

In order to determine whether a security is thinly traded or not the volumes traded in all recognized stock exchanges in India may be taken into account.

C. Non Traded Securities:

When a security is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.

D. Valuation of Non-Traded/ Thinly Traded Securities

Non-traded/ thinly traded securities shall be valued "in good faith" by the asset management company on the basis of the valuation principles laid down below:

I. Non-traded/ thinly traded equity securities:

- a. Based on the latest available Balance Sheet, net worth shall be calculated as follows: Net Worth per share = [share capital + reserves (excluding revaluation reserves) - Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.
- b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.
- d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- e. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- f. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer

shall be appointed for the valuation of the said security.

To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation".

ii. **(a) Non Traded /Thinly Traded Debt Securities of Upto 182 Days to Maturity:**

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process should be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non traded Non Government debt instruments shall be valued using the method suggested in (i) (b) hereof

ii. **(b) Non Traded/ Thinly Traded Debt Securities of Over 182 Days to Maturity.**

For the purpose of valuation, all Non Traded Debt Securities would be classified into "Investment grade" and "Non Investment grade" securities based on their credit ratings. The non-investment grade securities would further be classified as "Performing" and "Non Performing" assets.

All Non Government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described below.

- All Non Government non investment grade performing debt securities would be valued at a discount of 25% to the face value.
- All Non Government non investment grade non performing debt securities would be valued based on the provisioning norms.
- The approach in valuation of non traded debt securities is based on the concept of using

spreads over the benchmark rate to arrive at the yields for pricing the non traded security.

- The Yields for pricing the non traded debt security would be arrived at using the process as defined below.

Step A

A Risk Free Benchmark Yield is built using the government securities (GOI Sec) as the base. GOI Secs are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

Step B

A Matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

Step C

The yields as calculated above are Marked-up/ Marked down for ill-liquidity risk.

Step D

The Yields so arrived are used to price the portfolio.

E. Illiquid Securities:

- a. Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

Provided that in case any scheme has illiquid securities in excess of 15% of total assets as on September 30, 2000 then such a scheme shall within a period of two years bring down the ratio of illiquid securities within the prescribed limit of 15% in the following time frame:

- I. All the illiquid securities above 20% of total assets of the scheme shall be assigned zero value on September 30, 2001.
 - ii. All the illiquid securities above 15% of total assets of the scheme shall be assigned zero value on September 30, 2002.
- b. All funds shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unitholders. In the list of investments, an asterisk mark shall also be given

against all such investments which are recognised as illiquid securities.

- c. Mutual Funds shall not be allowed to transfer illiquid securities among their schemes w.e.f. October 1, 2000.
- d. In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.
- e. Where a scheme has illiquid securities as at September 30, 2001 not exceeding 15% in the case of an open-ended fund and 20% in the case of closed fund, the concessions of giving time period for reducing the illiquid security to the prescribed limits would not be applicable and at all time the excess over 15% or 20% shall be assigned nil value.

F. Derivative Products

The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Regulations.

The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Regulations

G. Valuation of Government Securities

As per Clause 2(CC) of Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, government securities will be valued at yield to maturity based on the prevailing market rate. Further, in accordance with SEBI Circular MFD/CIR NO./14/442/2002 dated February 20, 2002, for valuation of government securities, Mutual fund shall use the prices for Government Securities released by an agency suggested by AMFI for the sake of uniformity in calculation of NAVs.

H. Valuation of Unlisted Securities

Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:

- a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:
 - I. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

- ii. After taking into account the outstanding warrants and options, Net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves(excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

- (b) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- iii. If the net worth of the company is negative, the share would be marked down to zero.
- iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- v. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

I. Valuation of Rights entitlement

Until they are traded, the value of the "rights" shares should be calculated as:

$$V_r = n \times (P_{ex} - P_{of}) / m$$

Where V_r = Value of rights

n = no. of rights offered

m = no. of original shares held

P_{ex} = Ex-rights price

P_{of} = Rights Offer Price

Where the rights are not treated pari-passu with the existing shares, suitable adjustment should be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

J. Valuation of securities with Put/Call Options

The option embedded securities would be valued as follows:

Securities with call option:

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.

In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

Securities with Put option

The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option.

In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

Securities with both Put and Call option on the same day

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

K. Valuation Non Performing Assets (NPA)

An 'asset' shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from

the day such income / instalment has fallen due.

The valuation of Non Performing Assets (NPA) would be in accordance with SEBI Circular MFD/CIR/8/92/2000 dated September 18, 2000.

L. Expenses and Incomes Accrued

All expenses and incomes accrued upto the valuation date shall be considered for computation of net asset value. For this purpose, while major expenses like management fees and other periodic expenses should be accrued on a day to day basis, other minor expenses and income need not be so accrued, provided the non-accrual does not affect the NAV calculations by more than 1%.

M. Changes in securities and in number of units:

Any changes in securities and in the number of units be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible given the frequency of the Net Asset Value disclosure, the recording may be delayed upto a period of seven days following the date of the transaction, provided that as a result of the non-recording, the Net Asset Value calculations shall not be affected by more than 1%. The valuation guidelines as outlined above are as per prevailing Regulations and are subject to change from time to time in conformity with changes made by SEBI.

Further, In Line with eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, the Asset Management Company shall follow the following principles:

Non-traded securities shall be valued "in-good faith" by the asset management company on the basis of appropriate valuation methods based on the principles approved by the Board of the asset management company. Such decision of the Board must be documented in the Board minute and the supporting data in respect of each security so valued must be preserved. The methods used to arrive at values "in-good faith" shall be periodically reviewed by the trustees and reported upon by the auditors as "fair and reasonable" in their report on the annual accounts of the fund. For the purpose of valuation of non-traded securities, the following principles should be adopted:-

- (a) equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity;

- (b) debt instruments shall generally be valued on a yield to maturity basis, the capitalization factor being determined for comparable traded securities and with an appropriate discount for lower liquidity;
- (c) while investments in call money, bills purchased under rediscounting scheme and short term deposits with banks shall be valued at cost plus accrual; other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non-traded instruments that is instruments not traded for a period of seven days will be valued at cost plus interest accrued till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments;
- (c) government securities will be valued at yield to maturity based on the prevailing market rate.
- (d) In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in;
- e) In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value

of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures (as referred to in sub-paragraph (d) above) must be deducted to account for the period which must elapse before the warrant can be exercised;

- (f) Where instruments have been bought on 'repo' basis, the instrument must be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a 'repo' basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.

V. TAX & LEGAL & GENERAL INFORMATION FOR UNIT HOLDERS:

1. Tax on income in respect of units

As per the provisions of Section 10(35) of the Act, income received in respect of units of a mutual fund specified under Section 10(23D) of the Act is exempt from income tax in the hands of the recipient unit holders.

2. Capital Gains & TDS

As per section 2(42A) of the Act, units of the scheme held as a capital asset, for a period of more than 12 months immediately preceding the date of transfer, will be treated as long-term capital assets for the computation of capital gains; in all other cases, they would be treated as short-term capital assets.

Tax & TDS Rates under the Act for Capital Gains

		Tax Rates* under the Act		TDS Rate* @ Under the Act		
		NRIs/PIOs Residents	FII's	Residents	NRIs/PIOs/Other Non FII Non-Residents	FII's
Short Term Capital Gain	Units of a non equity oriented fund	Taxable at normal rates applicable to the assessee	30% (u/s 115AD)	Nil	30% for non resident non corporates, 40% for non resident corporates (u/s 195)	Nil
	Units of an equity oriented fund	15% on redemption of units where STT is payable on redemption (u/s 111A)		Nil	15% for all non-residents. (u/s 195)	
Long Term Capital Gain	Units of a non equity oriented fund	10% without indexation or 20% with indexation whichever is lower (u/s 112)	10% with no indexation benefit (u/s 115AD)	Nil	20% (with indexation) for non residents (u/s 195)	
	Units of an equity oriented fund	Exemption in case of redemption of units where STT is payable on redemption [u/s 10(38)]		Nil	Nil	

* Plus surcharge and education cess as per the Income Tax Act.

In the case of non-resident investors, the above rates would be subject to applicable treaty relief. As per circular no.728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee.

Securities Transaction Tax (STT)

From 01.04.2007 the seller of equity oriented mutual fund units has to pay a STT of 0.25% of the redemption value of the investment. However no deduction would be allowed to any unit holder for STT paid while computing Capital Gains.

The purchaser and seller of units of an equity oriented mutual fund units are liable to pay STT @ 0.125% each where the purchase and sale is entered into on a recognized stock exchange and the contract for the purchase and sale of such units is settled by actual delivery or transfer of such units.

Further, the seller of units is also liable to pay STT @ 0.025 % in case of sale of units of an equity oriented fund where the transaction of such sale is entered into on a recognized stock exchange and the contract for the sale of such units is settled otherwise than by the actual delivery or transfer of such units.

The units of mutual funds other than equity-oriented funds will be exempt from STT.

Note: 'Equity oriented fund' is defined as (u/s 115T):

- a mutual fund where the assets are invested in the equity shares of domestic companies to the extent of more than **sixty five** per cent of the total proceeds of such fund; and
- which has been set up under a scheme of a Mutual Fund specified in section 10(23D) of the Act.

The percentage of equity holding of such fund would be calculated as the annual average of the monthly averages of the opening and closing figures.

3. Capital Losses

Losses under the head 'Capital Gains' cannot be set-off against income under any other head.

The **short term** capital losses resulting from the sale of units would be available for setting off against capital gains which would reduce the tax liability of the unit holder to that extent.

Further unabsorbed **short term capital losses** shall be carried forward and set off against the income under the head 'Capital Gain' in any of the subsequent eight assessment years.

Unabsorbed long-term capital loss can be carried forward and set off against the long-term capital gains arising in subsequent 8 assessment years.

Further, within the head 'Capital Gains', long-term capital losses cannot be adjusted against short-term capital gains.

4. Dividend Stripping

All Unit Holders:

As per 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 Units 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.

5. Bonus Stripping

All Unit Holders:

As per Section 94 (8) of the Act, wherein in case of Units purchase 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 amount of loss so ignored shall be deemed to be the cost of acquisition/purchase of such bonus Units as are held by it/him on the date of such sale/transfer.

6. Rebate under section 88E of the Income Tax Act, 1961

Rebate under section 88E can be claimed by unit holder for STT paid from the tax payable by him when:

- a. Units are held as stock in trade.
- b. Profits arising from sale of such units are offered for tax under the head 'Profits and Gains of Business or Profession'

7. Investments by charitable and religious trusts

Units of a Mutual Fund Scheme referred to in clause 23D of section 10 of the Income Tax Act, 1961, constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1961, read with clause (xii) of sub-section (5) of section 11 of the Income Tax Act, 1961.

8. Wealth Tax

Units held under the Mutual Fund Scheme are not treated as assets within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and are, therefore, not liable to Wealth-Tax.

9. Gift Tax

The Gift Tax Act, 1958 has ceased to apply to gifts made on or after October 1, 1998. Gifts of Units purchased under plan, would therefore, be exempt from gift tax. Where however the gift, exceeding Rs. 50,000/- is made on or after 01.04.06, then the same is to be included as income in the hands of donee under new sub clause (xiii) inserted in Section 2(24) read with the new Section 56(2)(vi).

FOR THE FUND:

1. Registered with SEBI

Baroda Pioneer Mutual Fund is registered with SEBI and is as such eligible for benefits under section 10(23D) of the Act. Accordingly, its entire income is exempt from tax.

2. Dividend Distribution Tax

No dividend distribution tax is required to be paid on distribution of dividend on equity-oriented funds.

Sec.115-R- Dividend Distribution Tax

In case of money market / liquid funds

25% on the Dividend declared + applicable surcharge + education cess.

In case of other funds

For Individuals & HUFs-12.5% on the dividend declared + applicable surcharge + education cess.

For other than Individuals & HUFs-20% on the Dividend declared + applicable surcharge + education cess.

Any Dividend receivable in the hands of investors is exempt from Tax u/s/10(35) of Income Tax Act, 1961.

3. No TDS on receipt of income

The Fund will receive all its income without deduction of tax as per provisions of section 196(iv) of the Income Tax Act, 1961.

4. Service Tax

AMC/Mutual Funds are covered under the category of "Business Auxiliary Services" and are liable for paying service tax as service recipients on services provided by distributors of mutual fund/ agents. The rate of service tax is 10.30% (inclusive of education cess of 3%) with effect from 24.02.2009.

B. Legal Information

Nomination Facility

Nomination facility is available only for individuals applying on their own behalf. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his

office or a religious or charitable trust. As per AMFI letter 35/MEM-COR/57/07-08 dated January 03, 2008, applicants can make multiple nominations to the maximum of three. This facility is also available to NRI investors. Only resident Indian individuals maybe nominated. This will however be subject to change, if any, in the guidelines of RBI/ other regulators. Applicants may change their nomination at any time during the currency of the scheme.

In case of multiple nominations, applicants must clearly specify the percentage of units in favour of each nominee. In case the applicants do not specify the percentage of units for each nominee, units will be distributed equally among all the nominees. Please note that such allocation/share should be in whole numbers without any decimals making a total of 100 percent.

A minor can be nominated and in that event, the name and address of the Guardian of the minor Nominee shall be provided by the Unit holder.

The Nominee shall not be a society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney. A non-resident Indian can be a nominee subject to the exchange controls in force from time to time.

Nomination in respect of the Units stands rescinded upon the transmission of Units.

Transmission of Units in favour of a Nominee shall be a valid discharge by the Mutual Fund/ AMC/ Trustees against the legal heirs of the Unit holder(s).

The cancellation of nomination can be made only by those individuals who hold Units on their behalf singly or jointly and who made the original nomination.

On cancellation of the nomination, the nomination shall stand rescinded and the Mutual Fund/ AMC/ trustees shall not be under any obligation to transmit the Units in favour of the Nominee.

Requirements of Prevention of Money Laundering

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued thereunder and the guidelines/ circulars issued by the Securities and Exchange Board of India ('SEBI') and Association of Mutual Funds in India ('AMFI') regarding Anti Money Laundering ('AML Laws'), all intermediaries, including Mutual Funds, have to verify and maintain records of all its investors through the mandated Know Your Customer ('KYC') process with effect from February 01, 2008.

Effective February 01, 2008 for any investment in

mutual funds (Fresh Purchases/ Additional Purchases and new SIP registrations) of Rs. 50,000/- or more, KYC must be completed for all unitholders/investor in a folio (including guardian where the investor is a minor, NRIs, Power of Attorney holders) irrespective of the mode of holding. Investments where KYC is not completed, is liable to be rejected.

KYC Requirements

CDSL Ventures Ltd ("CVL") has been appointed by mutual funds to complete KYC formalities on their behalf and hence investors need to submit their details only once for completion of KYC formalities across these mutual funds.

Investors will need to submit a completed KYC application form affixing a copy of their recent passport-size photograph along with copy of PAN card and proof of address for Individuals, or Corporate Documents for bodies corporate, at any designated 'Point of Service' (POS) centre of CDSL Ventures Ltd ("CVL"). Applications may also be submitted at select branches of AMC. Prescribed list of documents, List of POS, Individual KYC form, Non-Individual KYC form are available on the websites of the AMC and Association of Mutual Funds in India.

All documents must be submitted in original along with a self-attested copy. The original will be returned across the counter after verification. Alternatively, investors may submit copies duly attested by a manager of a scheduled commercial bank (the designation seal should be affixed), notary public or gazetted officer.

On submission of the KYC application form and documents to CVL, investors will receive an acknowledgement across the counter, a copy of which must be submitted to us as proof of having completed KYC formalities.

The investor(s) and their attorney, if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/ passport/ driving license/ PAN card, etc. and/or such documents or produce such information as may be required from time to time for verification of the identity, residential address and financial information of the investor(s) by the AMC/Mutual Fund. If the investor(s) or the person making payment on behalf of the investor(s), refuses/ fails to provide the required documents/ information within the period specified in the communication(s) sent by the AMC to the investor(s) then the AMC, after

applying appropriate due diligence measures, believes that the transaction is suspicious in nature within the purview of the Act and SEBI circulars issued from time to time and/or on account of deficiencies in the documentation, shall have absolute discretion to report suspicious transactions to FIU-IND and/ or to freeze the folios of the investor(s), reject any application(s)/ allotment of units and effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to payment of exit load, if any, in terms of the said communication sent by the AMC to the investor(s) in this regard. The KYC documentation shall also be mandatorily complied with by the holders by virtue of operation of law e.g. transmission, etc. The Baroda Pioneer Mutual Fund, Baroda Pioneer Asset Management Company Limited, The Trustees of Baroda Pioneer Mutual Fund and their Directors, employees and agents shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios/ rejection of any application/ allotment of units or mandatory redemption of units due to non-compliance with the provisions of the Act, SEBI circular(s) and KYC policy and/ or where the AMC believes that transaction is suspicious in nature within the purview of the Act and SEBI circular(s) and reporting the same to FIU-IND.

Transfer and transmission of units

The Units of the Scheme are not transferable. In view of the same, additions/ deletion of names will not be allowed under any folio of the Scheme

In case Units are held in a single name by the Unit Holder, Units shall be transmitted in favour of the nominee(s), where the Unit Holder has appointed nominee(s) upon production of death certificate or any other document to the satisfaction of the Fund, AMC/Trustee or Registrar. If the Unit Holder has not appointed nominee(s), the Units shall be transmitted in favour of the Unit Holder's executor/ administrator of estate/Legal heir(s) as the case may be on production of Death Certificate or any other document to the satisfaction of the Fund, AMC/ Trustee or Registrar. In case Units are held by more than one registered Unit Holder, then upon death of the first Unit Holder, Units shall be transmitted in favour of the second named Holder on production of a Death Certificate or any other document to the satisfaction of the Fund/ AMC/ Trustee or Registrar. The rights in the Units will vest in the nominee(s) concerned upon the death of all Joint Unit Holders upon the nominee producing a Death

Certificate or any other document to the satisfaction of the Fund, AMC/ Trustee or Registrar.

Suspension of Sale and Redemption of Units

The Trustee and the Board of Directors of the AMC may decide to temporarily suspend determination of NAV of the Scheme offered under this Document, and consequently sale and redemption of Units, in any of the following events:

1. When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Scheme are closed otherwise than for ordinary holidays.
2. When, as a result of political, economic or monetary events or any circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme is not reasonable, or would not reasonably be practicable without being detrimental to the interests of the Unitholders.
3. In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, without which the value of the securities of the Scheme cannot be accurately calculated.
4. During periods of extreme volatility of markets, which in the opinion of the AMC are prejudicial to the interests of the Unitholders of the Scheme.
5. In case of natural calamities, strikes, riots and bandhs.
6. In the event of any force, majeure or disaster that affects the normal functioning of the AMC or the Registrar.
7. If so directed by SEBI.

In the above eventualities, the time limits indicated above, for processing of requests for purchase and redemption of Units will not be applicable.

Suspension or restriction of repurchase/ redemption facility under any scheme of the mutual fund shall be made applicable only after obtaining the approval from the Boards of Directors of the AMC and the Trustees. After obtaining the approval from the AMC Board and the Trustees, an intimation would be sent to SEBI in advance providing details of circumstances and justification for the proposed action shall also be informed.

Unclaimed redemption amount

The unclaimed Redemption amount may be deployed by the Mutual Fund in call money market or money market instruments only and the investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing Net Asset

Value. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds will be used for the purpose of investor education. The AMC will make a continuous efforts to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.

Unclaimed Dividend/ Redemptions in respect of the open ended funds normally represent the time lag between funding of the respective accounts (with bank) by the AMC and the time taken for presentation of redemption/dividend warrants by the investors. No significant delay in the process is noticed.

Duration of the Scheme/ Winding up

The duration of the Open ended Scheme is perpetual. In the case of Close ended Scheme, duration is limited and specified in the SID of the respective scheme.

Winding up of the scheme:

A Scheme may be wound up, after repaying the amount due to the Unitholders,-

1. On happening of any event, which in the opinion of the Trustee, requires the Scheme to be wound up, OR
2. If seventy five percent (75%) of the Unitholders of the Schemes pass a resolution that the Scheme be wound up, OR
3. If SEBI so directs in the interest of the Unitholders or
4. In case of non-fulfillment of condition prescribed in terms of minimum number of investors vide SEBI circular No. SEBI/IMD/CIR No.10/22701/03 dated December 12, 2003.

Where the Scheme is so wound up, the Trustee shall give notice of the circumstances leading to the winding up of the Scheme to:

- (I) SEBI and,
- (II) In two daily newspapers with circulation all over India and in one vernacular newspaper circulating at the place where the mutual fund is formed.

Effect of winding up:

On and from the date of the publication of notice under clause (b) of sub-regulation (3) of regulation 39, the trustee or the asset management Company as the case may be, shall-

- a) Cease to carry on any business activities in respect of the Scheme so wound up;

- b) Cease to create or cancel Units in the Scheme;
- c) Cease to issue or redeem Units in the Scheme.

Procedure and manner of Winding Up:

- a) The Trustee shall call a meeting of the Unitholders to consider and pass necessary resolutions by simple majority of the Unitholders present and voting at the meeting for authorizing the Trustee or any other person to take steps for winding up the Scheme concerned.
Provided that a meeting of the unit holders shall not be necessary if the scheme is wound up at the end of maturity period of the scheme.
- b) The Trustee or the person authorized as above, shall dispose off the assets of the Scheme concerned in the best interest of the Unitholders of that Scheme.
- c) The proceeds of the sale made in pursuance of the above, shall, in the first instance, be utilized towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
- d) On completion of the winding up, the Trustee shall forward to the Board and the Unitholders, a report on the winding up containing particulars such as circumstances leading to the winding up, steps taken for the disposal of the assets of the Fund before winding up, expenses of the Fund for winding up, net assets available for distribution to the Unitholders and a certificate from the Auditors of the Scheme concerned.
- e) Notwithstanding anything contained herein, the provisions of the Regulations in respect of the disclosure of half-yearly reports and annual reports shall continue to apply. After the receipt of the report referred to above under 'Procedure and Manner of Winding Up', if SEBI is satisfied that all measures for winding up of the Scheme concerned have been completed, the Scheme shall cease to exist.

C. General Information

In addition to the following, this section may include information on Underwriting, Securities Lending and Borrowing by the Mutual Funds etc.:

STOCK LENDING BY THE MUTUAL FUND

If permitted by SEBI under extant regulations/ guidelines, the scheme may also engage in stock lending. Stock lending means the lending of stock to another person or entity for a fixed period of time, at a

negotiated compensation. The securities lent will be returned by the borrower on expiry of the stipulated period.

The Fund may in future carry out stock-lending activity under any of its schemes, in order to augment its income. Stock lending may involve risk of default on part of the borrower. However, this risk will be substantially reduced as the Fund has opted for the "Principal Lender Scheme of Stock Lending", where entire risk of borrower's default rests with approved intermediary and not with the Fund. There may also be risks associated with Stock Lending such as liquidity and other market risks. Any stock lending done by the scheme shall be in accordance with any Regulations or guidelines regarding the same. The AMC will apply the following limits, should it desire to engage in Stock Lending:

- a. Not more than 20% of the net assets can generally be deployed in Stock Lending
 - b. Not more than 5% of the net assets can generally be deployed in Stock Lending to any single counter party.
- As on date, Baroda Pioneer Mutual Fund has not engaged in any stock lending.

Borrowing by Mutual Fund

Under Regulation 44(2) of SEBI (MF) Regulations, 1996, the Fund is allowed to borrow to meet its temporary liquidity need of the Scheme for the purpose of repurchase, redemption of Units or payment of interest or dividend to the Unit holders. Further, as per the Regulation, the Fund shall not borrow more than 20% of the Net Assets of the Scheme and the duration of such borrowing shall not exceed a period of six months.

The scheme wise borrowings by the Mutual Fund as on March 31, 2009 is nil.

If the scheme decides to borrow, it may borrow either from Banks of Baroda and/ or any other bank(s) or from any other sources as may be decided by the AMC. The loans may be without collateral or may consider using a part of the scheme's assets as collateral with the prior approval of the Board of Directors of the AMC and the Board of Trustees of the scheme.

INTER-SCHEME TRANSFER OF INVESTMENTS:

Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if-

- (a) Such transfers are done at the prevailing market price for quoted instruments on spot basis.

Explanation: "spot basis" shall have same meaning as specified by stock exchange for spot transactions.

- (b) The securities so transferred shall be in conformity with the investment objective of the scheme to Which such transfer has been made.

ASSOCIATE TRANSACTIONS

Who is an Associate ?

For the purpose of this section, an associate or group company shall include Bank of Baroda and its subsidiaries, Joint Ventures and the Pioneer Global Asset Management SpA and its subsidiaries.

Investments in Associate or Group Companies of the Sponsor

Apart from applicable SEBI regulations from time to time, there is no separate policy regarding investments in associate or group companies of the sponsor.

Therefore, as per SEBI Regulations, the scheme will not invest more than 25% of net assets of the scheme in the securities of the Bank of Baroda Group companies.

Further, the aggregate investment made by all the Baroda Pioneer Mutual Fund schemes in the securities of Bank of Baroda Group companies will not exceed 25% of the net assets of the fund as a whole. No investment shall be made in any unlisted security of an associate or Group Company of the Sponsor, any security issued by way of private placement by an associate or group company of the Sponsor.

Details of investment made by the schemes in securities of sponsors and its associates during the previous three years is NIL.

Underwriting Obligations of Baroda Pioneer Mutual Fund

As on date Baroda Pioneer Mutual Fund has no underwriting obligation.

Subscription in Issues Lead Managed by Associates of Sponsor

As on date NIL subscription in Issues Lead Managed by Associates of Sponsor of Baroda Pioneer Mutual Fund

Associate Brokers

As on date there is nil transaction with associate broker.

Agent Commission

For applications directly solicited and collected by the branches of Bank of Baroda or by any associates, they may also be paid an agent commission at a rate not exceeding the rate of commission being paid to other agents for the scheme.

Other Associate Transactions - NIL

Jurisdiction

The jurisdiction for any matters or disputes arising out of the scheme shall reside with the Courts in India.

Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at 501, Titanium, 501, Western Express Highway, Goregaon (E) Mumbai-400063 during business hours on any day (excluding Saturdays, Sundays and public holidays):

- Memorandum and Articles of Association of the AMC
- Investment Management Agreement
- Trust Deed and amendments thereto, if any
- Mutual Fund Registration Certificate
- Agreement between the Mutual Fund and the Custodian
- Agreement with Registrar and Share Transfer Agents
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- Indian Trusts Act, 1882.

INVESTOR GRIEVANCES REDRESSAL MECHANISM.

Investor grievances are normally received at AMC office or at the Customer Service Centres or directly by the Registrar. All grievances are forwarded to the Registrar for their necessary action. The complaints are closely followed up with the Registrar to ensure timely redresses and prompt investor service. Given below is the complaint history for the last three fiscal years:

Name of Schemes	01-04.2005- 31.03.2006		01.04.2006-31.03.2007		01.04.07-31.03.2008		01.04.08- 31.03.2009	
	Received	Redressed	Received	Redressed	Received	Redressed	Received	Redressed
Baroda Pioneer Diversified Fund (Formerly known as BOB ELSS'95)	279	279	155	155	40	40	70	70
Baroda Pioneer ELSS '96 Fund	74	74	73	73	60	60	51	51
Baroda Pioneer Income Fund	Nil	Nil	1	1	-	-	-	-
Baroda Pioneer Gilt Fund	Nil	Nil	1	1	-	-	-	-
Baroda Pioneer Liquid Fund	Nil	Nil	1	1	-	-	-	-
Baroda Pioneer Balance Fund	Nil	Nil	2	2	-	-	-	-
Baroda Pioneer Growth Fund	2	2	90	90	14	14	18	18
Baroda Pioneer MIP Fund	1	1	Nil	Nil	-	-	-	-
Baroda Pioneer Children Fund	Nil	Nil	Nil	Nil	-	-	-	-
Baroda Pioneer Global Fund	-	-	Nil	Nil	3	3	1	1

Contact Information

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Bank of Baroda



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