

REQUEST FOR PORTFOLIO MANAGEMENT SERVICES UNDER A SPECIFIC INVESTMENT APPROACH

Date: _____

To,

Master Portfolio Services Limited

Master Chambers, 19, Feroze Gandhi Market, Ludhiana-141 001

Dear Sir / Madam

I / We have entered into a discretionary portfolio management services agreement dated..... (“Agreement”) with you for availing portfolio management services. I/we wish to opt the specific Investment Approach **Master Trust iRage Absolute Return Strategy** as per the terms and conditions of the Annexure(s) to this request letter. This availing of the services for the said Investment Approach shall be in addition to any other Investment Approach opted by me/us with you.

I/We further understand & agree that the above Annexure(s) to this letter shall be part and parcel of the Agreement executed by me/us and all other documents including authorizations, documents, annexures, declarations, attorneys, risk document, risk profile and any other document submitted/executed by me/us at the time of opening of my/our account with you or at any time thereafter including any updations shall be applicable to the said Investment Approach opted herein.

Further, I/we understand and confirm that I/we have been/ will be allotted a unique Client Code and further a sub code may be allotted for each portfolio under each Investment approach I/we opt for and all the portfolio reports may be made available separately using such sub codes.

INVESTMENT AMOUNT

Amount (Rs. in Words)

Name of the Bank

Mode of Payment Cheque RTGS Transfer of Securities

Account No. Cheque / UTR No.


ISIN NO.	Name of Securities	No. of Shares	Value of Shares	Valuation Date	Cost Price	No. of Days Since Acquisition

Thanking you,

Yours faithfully,

Name of Investor :

PMS Unique Client Code:

 (01)

Investment Objective

The strategy is a low risk investment albeit not risk free investment and is suitable only for financially sophisticated investors who are capable of evaluating/understanding the risks and merits of such investment. However, while the aforesaid is the objective, there can be no assurance and/or guarantee of such growth or return or even as regards preservation of capital or of there being no capital loss.

The strategy aims to capture mispricing / gap between Nifty Index Futures and the constituent Stock Futures by taking offsetting positions and locking in a monthly arbitrage spread using sophisticated algorithmic software and tools with automated execution of trades by the designated broker. The investment approach returns would be a sum of arbitrage spread and fixed deposit return on the client funds. The funds contribution given by the clients would be invested in fixed deposit with a scheduled commercial bank in India or in units of Debt Mutual Funds. The strategy continuously monitors the basis spreads between the Nifty Index Futures and basket of its constituent futures and similarly, Bank Nifty Futures and basket of its constituent futures. If the spread is positive then the strategy would buy Nifty Futures and sell 50 constituent Stock Futures (or vice versa) creating a replica portfolio and position is fully hedged. Similarly, in case of Bank Nifty, if the spread is positive then the strategy would buy Bank Nifty Futures and sell the constituent Stock Futures (or vice versa) creating a replica portfolio and position is fully hedged. Once the spread is locked, when it reverts to zero or is close to zero, the strategy would square off the positions and make a profit. If by expiry week, the spread does not revert to zero, the positions will be crystallized and next month positions would be taken. The portfolio positions are mostly hedged and there is low risk in the combined portfolio once the hedge is completed and therefore the net exposure of the client is very small. The strategy ensures that, at no point, the net exposure of the client or the liability of the client is more than total investment of the client with the portfolio manager.

Type of Securities % Allocation: Under normal circumstances, the allocation of the portfolio shall be as follows:

INSTRUMENTS	Indicative Allocations (% of portfolio value)
Equity Derivatives	0-100%
Debt	0-100%
Mutual Funds	0-100%
Cash & Cash Equivalent	0-100%

The allocation pattern indicated above may change from time to time, keeping in view market conditions. It must be clearly understood that the percentage stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of market conditions of the Portfolio Manager, the intention being at all times to seek to protect the interests of the client.

Cash & Cash Equivalent: As part of the allocation above, the Portfolio Manager may invest the funds in fixed deposit of any scheduled commercial bank in India at such interest rates and tenure as per the sole discretion of the Portfolio Manager. In case a client withdraws the funds partially or wholly which results in the premature withdrawal of such fixed deposit then the interest rate and prepayment penalty as applicable as per the terms and conditions of the relevant bank shall be applicable to the client and would reflect in the performance report. Fixed deposit rates would be reset on every renewal as per the rates at that point in time. This may show vast difference in the previous reported performance figures and those finally realized by the client due to such action.

Investment Tenure : > 6 months

Benchmark : CRISIL Credit Index TRI

Entry Terms : The entire documentation for this Investment Approach should be complete in all respects to the satisfaction of the Portfolio Manager by 20th of the month and the capital contribution/additional capital contribution would be accepted only the 1st of the subsequent month.

Exit Date: The client has to give request for complete/ partial withdrawal of funds/ securities under this Portfolio by 20th of the month failing which the same shall not be processed.

Investment Approach Specific Risks:

- The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets including price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other appropriate authority policies, other political and economic developments, corporate actions like de-listing of securities, market closure, relatively small number of scrips accounting for large proportion of trading volume etc. Consequently, the Portfolio Manager provides no assurance of any guaranteed returns on the Portfolio.

- ii. The Client stands a risk of loss due to lack of adequate external systems for transferring, pricing, accounting and safekeeping or record keeping of Securities. Transfer risk may arise due to the process involved in registering the shares, physical and demat, in the Portfolio Manager's name, while price risk may arise on account of availability of share price from stock exchanges during the day and at the close of the day.
- iii. Investment decisions made by the Portfolio Manager may not always be profitable.
- iv. The Portfolio Manager has limited experience and / or track record.
- v. Not meeting the obligation to make Capital contributions in terms of the Agreement may have implications as set out in the Agreement and may also impact the profitability of the Portfolio.
- vi. Equity and Equity Related Risks: Equity and Equity Related instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions may not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions made by the Portfolio Manager.
- vii. Macro-Economic risks: Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies; changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.
- viii. Liquidity Risk: Liquidity of investments is often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale, then the Portfolio may have to bear an impact depending on its exposure to that particular security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange, Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Though the liquidity is provided daily by the underlying mutual funds or ETF manufacturers, there can be market conditions of delayed liquidity. Even upon termination of the Agreement, the Client may receive illiquid securities and finding a buyer for such Securities may be difficult. Further, different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the strategy are un-invested and no return is earned thereon. The inability of the Portfolio Manager to make intended Securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities.
- ix. Credit Risk: Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.
- x. **Interest Rate Risk** : is associated with movements in interest rates, which depend on various factors such as such as a Government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income securities can be expected to decline.
- xi. Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio.
- xii. The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to various factors which by way of illustration include default or non performance of a third party, investee company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- xiii. Reinvestment Risk: This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
- xiv. Non-Diversification Risk: This risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. As mentioned above, the Portfolio Manager will attempt to maintain a diversified Portfolio in order to minimize this risk.
- xv. Mutual Fund Risk: This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, off-shore investments etc, will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, take

over, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

- xvi. The Portfolio Manager is neither responsible nor liable for any losses resulting from the services.
- xvii. Clients are not being offered any guarantee/ assured returns.
- xviii. The Clients may not be able to avail of securities transaction tax credit benefit and/or tax deduction at source (TDS) credit and this may result in an increased incidence of tax on the Clients. The Client may incur a higher rate of TDS/ Dividend Distribution Tax in case the investments are aggregated in the name of the Portfolio Management Portfolio/Investment Approach.
- xix. The arrangement of pooling of funds from various Clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.
- xx. In case of investments in Mutual Fund units, the Client shall bear the recurring expenses of the Portfolio Management Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he/she/it may have received had he/she/it invested directly in the underlying mutual fund schemes in the same proportions.
- xxi. After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
- xxii. Clients will not be permitted to withdraw the funds/Portfolio (unless in accordance with the terms agreed with the Client). In addition, they are not allowed to transfer any of the interests, rights or obligations with regard to the Portfolio except as may be provided in the Agreement and in the Regulations.
- xxiii. In case of early termination of the Agreement, where Client Securities are reverted to the Client, additional rights available while the Securities were held as part of the Portfolio that were negotiated by the Portfolio Manager with an investee company or its shareholders may no longer be available to the Client.
- xxiv. Derivatives Risk: The Investment Approach may use various derivative as permitted by the Regulations. Derivatives including index options are specialized instruments that require an understanding of not only the underlying instrument but of the derivative itself.
 - a) The derivatives will entail a counter party risk to the extent of amount that can become due from the counter party. The Portfolio Manager intends to transact mainly on the National Stock Exchange of India Limited which acts as the central counter party thereby reducing the counter party risk to a large extent. However, there is always the possibility that the institutions, including brokerage firms and banks with which the Portfolio Manager does business, or to which securities have been entrusted for custodial or margin purposes, will encounter financial difficulties that may impair their operational capabilities or result in losses to the client.
 - b) The cost of hedge using derivatives can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. Efficiency of a derivatives market depends on the development of a liquid and efficient market for underlying securities.
 - c) Derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to forecast price or interest rate movement correctly. Other risks in using derivatives include the risk of mis-pricing or improper valuations of derivatives and the inability of derivatives to correlate perfectly with the underlying assets, rates and indices.
- xxv. The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated / unrated securities offering higher yields. This may increase the risk of the portfolio.
- xxvi. The Portfolio Manager may not be able to lend out securities which can lead to temporary illiquidity. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon.
- xxvii. The Portfolio Manager is not responsible for risk profiling of prospective and existing investors. The investor should read the disclosure document and terms and conditions of the Investment Approach properly before making any investment decision.
- xxviii. This Investment Approach is targeted to be a low risk investment albeit not risk free investment and is suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.
- xxix. The results may vary substantially on a monthly, quarterly or annual basis.
- xxx. The analytical models used by the Portfolio Manager to evaluate securities or securities markets are based on its understanding of the interplay of market factors and do not ensure successful investment. The markets, or the prices of individual securities, may be affected by factors not foreseen in developing the models.

FEES AND TERMINATION CHARGES

I/We hereby agree to pay the following fees in consideration for availing of the Portfolio Manager's Services

Fee Structure	
Management Fee	2% per annum
Performance Fee	NIL
Hurdle Rate	NA

a) The Management Fee shall be exclusive of the following fees that are payable by the Portfolio Manager to other service providers engaged by it:

- (i) Custodian, Depository and Fund Accounting Fees
- (ii) Registrar and transfer agent fee
- (iii) Certification and professional charges
- (iv) Incidental Expenses

The Portfolio Manager estimates that the total of the operating expenses, excluding brokerage and other transaction and other charges payable to the stock broker, under items (i) to (iv) above shall not be more than 0.50% per annum of the daily average net asset value of the portfolio calculated and paid monthly in arrears.

b) **Exit Charges:** NIL

c) **Frequency of charges**

Management Fee/Custody/Fund Accounting: Charged on a daily basis on the daily assets under management and paid monthly in arrears.

Performance Fee: Charged on annual basis or termination of the agreement or part withdrawal of the funds/securities, whichever is earlier, and concept of high water mark applies.

STT, Brokerage, other charges and levies : Charged as and when transaction takes place in the portfolio

Goods & Services Tax: As applicable from time to time.

d) **Expense Structure- Illustrations**

The following computations are for illustrative purpose only. These illustrations are provided to enable the investors to understand the levy of various applicable charges on the investment under the investment approach under different market scenarios on a sample portfolio of Rs. 50 lakhs considering that the frequency of computing all the fees are on annual/actual basis. Further, the various charges are assumed for the illustrations as the actual charges may differ as per agreement with the client.

Illustration of Fees and other charges to client

Scenario #1 - The portfolio value increase by 20% annually

Nature of Fees	Amount in Rs.	Amount in Rs.
Assets Under Management	50,00,000.00	
Add: Profit on Investments during the year @20% on AUM	10,00,000.00	
Gross Value of the Portfolio at the end of the year		60,00,000.00
Less: Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges(for eg. @ 1% p.a. of Rs.50,00,000)*	50,000.00	
Less: Management fees (for eg. @1.5% p.a. of Rs.50,00,000) *	75,000.00	
Less : GST on Management Fees, Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges (@18%)	22,500.00	
Total charges during the year other than performance fees	1,47,500.00	
Net value of Portfolio at the end of the year before Performance Fees		58,52,500.00
% Change over capital contributed before Performance Fees		17.05%
Less: Performance Fees (For eg. 20% above 8% hurdle rate)	90,500.00	
Less : GST on Performance Fees(@18%)	16,290.00	
Net Value of the Portfolio at the end of the year		57,45,710.00
% Change over capital contributed net of all fees.		14.92%

*Please note that in the actual scenario, the Management Fee, Custody and Fund accounting fees are charged on a daily basis on daily Assets Under Management and other fees are charges as per transaction value.

Scenario #2 - The portfolio value decreases by 20% annually

Nature of Fees	Amount in Rs.	Amount in Rs.
Assets Under Management	50,00,000.00	
Less: Loss on Investments during the year @20% on AUM	10,00,000.00	
Gross Value of the Portfolio at the end of the year		40,00,000.00
Less: Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges(for eg. @ 1% p.a. of Rs.50,00,000)*	50,000.00	
Less: Management fees (for eg. @1.5% p.a. of Rs.50,00,000) *	75,000.00	
Less : GST on Management Fees, Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges (@18%)	22,500.00	
Total charges during the year other than performance fees	1,47,500.00	
Net value of Portfolio at the end of the year before Performance Fees		38,52,500.00
% Change over capital contributed before Performance Fees		-22.95%
Less: Performance Fees (For eg. 20% above 8% hurdle rate)	0	
Less : GST on Performance Fees(@18%)	0	
Net Value of the Portfolio at the end of the year		38,52,500.00
% Change over capital contributed net of all fees.		-22.95%
*Please note that in the actual scenario, the Management Fee, Custody and Fund accounting fees are charged on a daily basis on daily Assets Under Management and other fees are charges as per transaction value.		

Scenario #3 - The portfolio value does not change

Nature of Fees	Amount in Rs.	Amount in Rs.
Assets Under Management	50,00,000.00	
Add: Profit on Investments during the year @0% on AUM	0.00	
Gross Value of the Portfolio at the end of the year		50,00,000.00
Less: Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges(for eg. @ 1% p.a. of Rs.50,00,000)*	50,000.00	
Less: Management fees (for eg. @1.5% p.a. of Rs.50,00,000) *	75,000.00	
Less : GST on Management Fees, Brokerage /DP/Transaction Charges/other levies/Custody / Fund Accounting charges (@18%)	22,500.00	
Total charges during the year other than performance fees	1,47,500.00	
Net value of Portfolio at the end of the year before Performance Fees		48,52,500.00
% Change over capital contributed before Performance Fees		-2.95%
Less: Performance Fees (For eg. 20% above 8% hurdle rate)	0.00	
Less : GST on Performance Fees(@18%)	0.00	
Net Value of the Portfolio at the end of the year		48,52,500.00
% Change over capital contributed net of all fees.		-2.95%
*Please note that in the actual scenario, the Management Fee, Custody and Fund accounting fees are charged on a daily basis on daily Assets Under Management and other fees are charges as per transaction value.		

Client to write the below mentioned complete sentence in their own handwriting in the space provided below:

“I have understood the fees/charge structure”

Name : _____

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Consent from the client for investment in securities of Related Party/Associates

1. This document is for obtaining the consent/dissent for investment by Portfolio Manager in its associates / related parties.
2. As per SEBI (Portfolio Managers) Regulations, 2020, the limits applicable for investment in the securities of associates/related parties of Portfolio Manager are as under:

Security	Limit for investment in single associate/ related party (as percentage of client's AUM)	Limit for investment across multiple associates/related parties (as percentage of client's AUM)
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities	30%	

3. The client may choose not to invest in the securities of associates/related parties of the Portfolio Manager. Further, the client may choose a limit lower than the limits prescribed at paragraph 2 above.
4. The risks and conflict of interest associated with investment by the Portfolio Manager in the securities of its associates/related parties are as under:

Risks : **Not Applicable**

Conflict of Interest : **Not Applicable**

5. In case the client wants the Portfolio Manager to invest in the securities issued by associated / related parties of Portfolio Manager and provides the consent for the same, the investments shall be subject to the following limits:

Security	Limit for investment in single associate/ related party (as percentage of client's AUM)	Limit for investment across multiple associates/related parties (as percentage of client's AUM)
Equity	0%	0%
Debt and hybrid securities	0%	0%
Equity + Debt + Hybrid securities	0%	

6. In case of passive breach of investment limits (i.e., occurrence of instances not arising out of omission and / or commission of Portfolio Manager) as decided at paragraph 5 above, a rebalancing of the portfolio is required to be completed by Portfolio Managers within a period of 90 days from the date of such breach. However, the client may give an informed, prior positive consent to the Portfolio Manager for a waiver from the requirement of rebalancing of the portfolio to rectify the passive breach of investment limits. The client may choose not to provide any waiver.
7. Please indicate consent or dissent as under:

Limits on investment

Consent: Portfolio Manager **can** invest in the securities of its associates/related parties within the limits agreed upon at paragraph 5 above.

Dissent: Portfolio Manager **cannot** invest in the securities of its associates/related parties.

Waiver from rebalancing of portfolio on passive breach of investment limits

Consent: Portfolio Manager **need not** rebalance the portfolio on passive breach of investment limits.

Dissent: Portfolio Manager **should** rebalance the portfolio on passive breach of investment limits.

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