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Investments in securities are subject to market and other risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. Investors in the Scheme are not being offered any guaranteed/assured returns.

The name of the Scheme does not in any manner indicate its prospects of return. The investment may not be suited to all the categories of investors. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should be reliable as such.

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Recipient should understand that the scheme cannot and does not disclose all the risks and characteristics. The recipient is requested to take into consideration all the risk factors including their financial condition, suitability to risky return profile and

the like and take professional advice before investing. As with any investment in securities, the value of funds under management may go up or down depending upon the various factors and forces affecting the capital market. For tax consequences, each investor is advised to consult his / her own professional tax advisor.

Chinoy Capital is an Investment Management Firm. It acts solely as investment manager, and does not hold client money. The firm's greatest risks have been identified as business and operational risk. Chinoy Capital is required to disclose risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

## **RISKS**

An indicative list of the risks associated with investing through the Services is set out below:

- (i) Securities investments are subject to market and other risks and the Firm and/or the Fund Manager provides no guarantee or assurance that the objectives set out in the Disclosure Document and/or the Trading and/or Investment Services Agreement shall be accomplished.
- (ii) The value of the Portfolio may increase or decrease depending upon various market forces and factors affecting the capital markets such as de-listing of Securities, market closure, relatively small number of scrips accounting for large proportion of trading volume. Consequently, the Firm and/or the Fund Manager provides no assurance of any guaranteed returns on the Portfolio.
- (iii) Past performances of the Firm and/or the Fund Manager do not guarantee its future performance.
- (iv) 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 Client'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.

- (v) Investment decisions made by the Firm and/or the Fund Manager may not always be profitable.
- (vi) The Fund Manager has limited experience or track record.
- (vii) Investments made by the Firm and/or the Fund Manager are subject to risks arising from the investment objective, investment strategy and asset allocation.
- (viii) 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.
- (ix) The market prices of the Securities in the Portfolio may be volatile and may not truly reflect its fundamental or intrinsic value due to the lack of sufficient liquidity for those Securities.
- (x) **Equity and Equity Related Risks:** Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Fund Manager shall take all reasonable steps to invest the Cash 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.
- (xi) **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.
- (xii) **Liquidity Risk:** Liquidity of investments in equity and equity related securities are 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. This risk is higher under the Services since the Fund Manager proposes to invest a large portion of the Portfolio in unlisted securities. 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 are un-invested and no return is earned thereon. The inability of the Fund Manager to make intended Securities purchases, due to settlement problems, could cause the Portfolio to miss certain investment opportunities.

- (xiii) **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.
- (xiv) **Interest Rate Risk:** is associated with movements in interest rates, which depend on various factors such as 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.
- (xv) Acts of State, or sovereign action, acts of nature, acts of war, civil disturbance are extraneous factors which can impact the Portfolio.
- (xvi) 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, Portfolio Company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.
- (xvii) **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 Firm and/or the Fund Manager will attempt to maintain a diversified Portfolio in order to minimize this risk.
- (xviii) **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.

- (xix) Prospective clients should review / study the Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their Portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of Portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.
- (xx) The Firm and/or the Fund Manager is neither responsible nor liable for any losses resulting from the Services.
- (xxi) Clients are not being offered any guaranteed / assured returns.
- (xxii) The investments under the Portfolio may have exposure towards equity/equity related instruments of companies belonging to the infrastructure sector and hence shall be affected by risks associated with the infrastructure companies / sector. The performance of the companies which form the investment universe of the Portfolio would be affected by the growth and performance of the infrastructure sector in the country.
- (xxiii) 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.
- (xxiv) 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.
- (xxv) In case of investments in Mutual Fund units, the Client shall bear the recurring expenses of the Fund Trading/Investing/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 may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

- (xxvi) After accepting the corpus for management, the Fund 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.
- (xxvii) 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.
- (xxviii) 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 Fund Manager with an investee company or its shareholders may no longer be available to the Client.
- (xxix) The Client has perused and understood the disclosures made by the Firm and/or the Fund Manager in the Disclosure Document.
- (xxx) Changes in Applicable Law may impact the performance of the Portfolio.
- (xxxi) **Volatility risk:** Volatility refers to the dynamic changes in price that securities undergo when trading activity continues on the stock exchange. Generally higher the volatility of security, greater is its price swings. There may be normally greater volatility in thinly traded securities than in active securities. As a result of volatility, orders may only be partially executed or not executed at all or the price at which the order gets executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.
- (xxxii) **Risk of Wider Spreads:** Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities. This in turn will hamper better price formation.
- (xxxiii) **Risk reducing orders:** most exchanges have a facility for investors to place "limit orders", "stop loss orders" etc. the placing of such orders which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.
- (xxxiv) **System Risk:** High Value trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution on confirmation. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no

outstanding orders either on the buy side or the sell side or if trading is halted in a security due to any action on account of unusual trading activity or stock hitting circuit filters or for any other reason.

(xxxv) **System/ Network Congestion:** Trading on Exchange is in electronic mode, based on satellite/ leased line based communications, combination of technologies and computer systems to place and route orders. Thus there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt or any such other problem whereby not being able to establish access to the trading system/ network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders wither in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions