

**Policy on protection of the interest of investors in
the category of Mid-cap and Small-cap Funds for
Mirae Asset Mutual Fund**

March 2024

Background:

Securities and Exchange Board of India (SEBI) has vide email dated February 27, 2024, directed Association of Mutual Fund of India (AMFI) to communicate the following to the Trustees of all mutual funds:

In the context of the froth building up in the small and mid-cap segments of the market and the continuing flows in the small and mid-cap schemes of Mutual Funds, Trustees, in consultation with Unitholder Protection Committees of the Asset Management Companies (AMCs), shall ensure that a policy is put in place to protect the interest of all investors. The policy shall inter alia contain the following:

- i. Appropriate and proactive measures to be taken by AMCs and Fund Managers to protect investors, including but not limited to moderating inflows, portfolio rebalancing, etc.
- ii. Steps to ensure that investors are protected from the first mover advantage of redeeming investors.

AMFI vide its notification 35P/MEM-COR/118/2023-24 dated 28th February 2024, communicated that AMFI, in consultation with SEBI, has decided that AMCs shall disclose, on its website as well as on AMFI website, the results of Stress Test and liquidity, volatility, valuation and portfolio turnover in respect of Mid Cap and Small Cap equity schemes as per the format provided, along with the guidance in simple language, assumptions and methodology to enable the investor to understand the risk associated with the aforesaid two category of schemes. The said disclosure shall be made on the websites on a monthly basis within 15 days after the end of the month.

Objective:

This policy is put in place to protect the interest of the investors of Small-cap and Mid-cap Schemes of Mirae Asset Mutual Fund.

Definitions:

The definitions of some of the key terms used in the Policy are given below:

- i. **Mid-cap Segment** – As per clause 2.7 of SEBI Master Circular dated May 17, 2023, mid-cap means 101st -250th company in terms of full market capitalization
- ii. **Small-cap Segment** - As per clause 2.7 of SEBI Master Circular dated May 17, 2023, small-cap means 251st company onwards in terms of full market capitalization

Applicability:

The Policy shall be applicable to Midcap and Small Cap schemes as defined under clause 2.6 of the SEBI Master Circular dated May 19, 2023 on categorization of Schemes.

Appropriate and proactive measures to be taken by the AMC:

The liquidity stress test shall be conducted each month for the month-end portfolio as per the format and methodologies advised by AMFI. The threshold value is 30 days for 25% portfolio liquidation. The scenario for stress shall be considered if more than 30 days shall be required for the pro rata liquidation of 25% of the portfolio (as per the AMFI method).

- 1) Steps to be taken by the Fund Managers in the event of threshold breach:

- a) The Fund Manager will rebalance the portfolio within 7 days of the stress test breach report in a manner such that the number of days to liquidate 25% of the portfolio fall within the limit of 30 days.
- 2) Steps to be taken by the AMC in the event of a Fund Manager is not able to rebalance within 7 days:
- a) The AMC shall take steps towards moderating inflows in terms of proposing to stop/put a cap on the lumpsum or the Systematic Investment Plan (SIP)/ Systematic Transfer Plan (STP). The proposal shall be sent to the UHPC and the Board of Trustees for the approval.

Role of the Investment committee:

The Investment Committee of AMC shall undertake detailed review of the portfolio of the Schemes as and when the stress test result shows that more than 10 days shall be required for the pro rata liquidation of 25% of the portfolio (as per the AMFI method) and subsequently monitor the status.

Steps to ensure that investors are protected from the first mover advantage of redeeming investors:

- a) The AMC shall ensure that the concentration of the top 10% of the investors of the Scheme don't hold more than 20% of the Asset Under Management (AUM) of the Scheme.
- b) The AMC shall ensure that the concentration of the top 10% of the distribution partners of the Scheme don't hold more than 40% of the AUM of the Scheme.
- c) The net redemptions of more than 10% in a Scheme within a month shall be considered as a stress event. The AMC shall take following actions in such cases:
 - 1) The AMC shall ensure that even during such redemptions, liquidation of stocks should be done in a graded manner, such that at all points of time, 25% of the portfolio of the Scheme can be liquidated within 30 days.
 - 2) The Scheme shall have the provision of borrowing (up to maximum 20% of the AUM) in cases of such redemptions. The interest on the borrowing shall be borne by the AMC. No "buy" order can be placed on the day when borrowing has been undertaken.

Periodic Review of the Policy:

The Policy shall be reviewed periodically by the Unit Holder Protection Committee and the Board of AMC and Trustee.

Any amendments to this Policy will be reviewed and approved by the Board of AMC and Trustee.

In case any provisions of this Policy are inconsistent with Applicable Laws, then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.