

ARTHYA WEALTH AND INVESTMENTS PRIVATE LIMITED
SEBI REGISTRATION NUMBER - INP000007225
DISCLOSURE DOCUMENT

As required under Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020

I. Declaration:

- a) The Disclosure Document (hereinafter referred as the “**Document**”) has been filed with Securities and Exchange Board of India (“**SEBI**”) along with the certificate in the prescribed format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020 (“**Regulations**”).
- b) The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging “Arthya Wealth and Investments Private Limited” (hereinafter referred as the “**Portfolio Manager**”) as the portfolio manager.
- c) The Document contains the necessary information about the Portfolio Manager required by an investor before investing, and the investor may also be advised to retain the Document for future reference.
- d) The name, phone number, e-mail address of the principal officer as designated by the Portfolio Manager along with the address of the Portfolio Manager is as follows:

PRINCIPAL OFFICER	PORTFOLIO MANAGER
Name: Mr. Prateek Dhoot	Arthya Wealth and Investments Private Limited
Phone: +91 9819083540	Registered & Correspondence Address: 712 THE SUMMIT-BUSINESS BAY, 7 th Floor, Near Western Express Highway, Off Andheri-Kurla Road, Andheri (East), Mumbai – 400069, Maharashtra
E-Mail: prateek@arthyawwealth.com	

The Disclosure Document is dated 30th December 2025.

II. INDEX

SI. No.	Parameter	Page No
	Part I - Static	
1	Disclaimer clause	3
2	Definitions	4
3	Description	8
4	Penalties, pending litigation or proceedings, findings of inspection or investigation for which action may have been taken or initiated by any regulatory authority.	10
5	Services offered	11
6	Risk factors	23
7	Nature of Expenses	27
8	Taxation	29
9	Accounting policies	47
10	Investors services	49
11	Details of the diversification policy of the portfolio manager	51
	Part II - Dynamic	
12	Client Representation	52
13	Financial performance	53
14	Performance of Portfolio Manager	54
15	Audit Observations (of the preceding 3 years)	55
16	Details of investments in the securities of related parties of the portfolio manager	56

PART I – Static Section

1. Disclaimer Clause

This Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document.

The distribution of this Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Document are required to inform themselves about and to observe any such restrictions.

2. Definitions

In this Disclosure Document, unless the context otherwise requires, the following words and expressions shall have the meaning assigned to them:

1. “**Act**” means the Securities and Exchange Board of India Act, 1992.
2. “**Accreditation Agency**” means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by SEBI from time to time.
3. “**Accredited Investor**” means any person who is granted a certificate of accreditation by an accreditation agency who:
 - (i) in case of an individual, HUF, family trust or sole proprietorship has:
 - (a) annual income of at least two crore rupees; or
 - (b) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or
 - (c) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.
 - (ii) in case of a body corporate, has net worth of at least fifty crore rupees;
 - (iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;
 - (iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:

Provided that the Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.

4. “**Advisory Services**” means advising on the portfolio approach, investment and divestment of individual Securities in the Client’s Portfolio, entirely at the Client’s risk, in terms of the Regulations and the Agreement.
5. “**Agreement**” or “**Portfolio Management Services Agreement**” or “**PMS Agreement**” means agreement executed between the Portfolio Manager and its Client for providing portfolio management services and shall include all schedules and annexures attached thereto and any amendments made to this agreement by the parties in writing, in terms of Regulation 22 and Schedule IV of the Regulations.
6. “**Applicable Law/s**” means any applicable statute, law, ordinance, regulation, rule, order, bye-law, administrative interpretation, writ, injunction, directive, judgment or decree or other instrument including the Regulations which has a force of law, as is in force from time to time.
7. “**Assets Under Management**” or “**AUM**” means aggregate net asset value of the Portfolio managed by the Portfolio Manager on behalf of the Clients.
8. “**Associate**” means (i) a body corporate in which a director or partner of the Portfolio Manager holds either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or (ii) a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or

partnership interest, as the case may be of the Portfolio Manager.

9. “**Benchmark**” means an index selected by the Portfolio Manager in accordance with the Regulations, in respect of each Investment Approach to enable the Clients to evaluate the relative performance of the Portfolio Manager.
10. “**Board**” or “**SEBI**” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.
11. “**Business Day**” means any day, which is not a Saturday, Sunday, or a day on which the banks or stock exchanges in India are authorized or required by Applicable Laws to remain closed or such other events as the Portfolio Manager may specify from time to time.
12. “**Client(s)**” / “**Investor(s)**” means any person who enters into an Agreement with the Portfolio Manager for availing the services of portfolio management as provided by the Portfolio Manager.
13. “**Custodian(s)**” means an entity registered with the SEBI as a custodian under the Applicable Laws and appointed by the Portfolio Manager, from time to time, primarily for custody of Securities of the Client.
14. “**Depository**” means the depository as defined in the Depositories Act, 1996 (22 of 1996).
15. “**Depository Account**” means an account of the Client or for the Client with an entity registered as a depository participant under the SEBI (Depositories and Participants) Regulations, 1996.
16. “**Direct on-boarding**” means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.
17. “**Disclosure Document**” or “**Document**” means the disclosure document for offering portfolio management services prepared in accordance with the Regulations.
18. “**Distributor**” means a person/entity who may refer a Client to avail services of Portfolio Manager in lieu of commission/charges (whether known as channel partners, agents, referral interfaces or by any other name).
19. “**Eligible Investors**” means a Person who: (i) complies with the Applicable Laws, and (ii) is willing to execute necessary documentation as stipulated by the Portfolio Manager.
20. “**Fair Market Value**” means the price that the Security would ordinarily fetch on sale in the open market on the particular date.
21. “**Foreign Portfolio Investors**” or “**FPI**” means a person registered with SEBI as a foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 as amended from time to time.
22. “**Financial Year**” means the year starting from April 1 and ending on March 31 in the following year.
23. “**Funds**” or “**Capital Contribution**” means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to the Agreement, the proceeds of sale or other realization of the portfolio

and interest, dividend or other monies arising from the assets, so long as the same is managed by the Portfolio Manager.

24. “**Group Company**” shall mean an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary.ⁱ
25. “**HUF**” means the Hindu Undivided Family as defined in Section 2(31) of the IT Act.
26. “**Investment Approach**” is a broad outlay of the type of Securities and permissible instruments to be invested in by the Portfolio Manager for the Client, taking into account factors specific to Clients and Securities and includes any of the current Investment Approach or such Investment Approach that may be introduced at any time in future by the Portfolio Manager.
27. “**IT Act**” means the Income Tax Act, 1961, as amended and restated from time to time along with the rules prescribed thereunder.
28. “**Large Value Accredited Investor**” means an Accredited Investor who has entered into an Agreement with the Portfolio Manager for a minimum investment amount of ten crore rupees.
29. “**Non-resident Investors**” or “**NRI(s)**” shall mean non-resident Indian as defined in Section 2 (30) of the IT Act.
30. “**NAV**” shall mean Net Asset Value, which is the price; that the investment would ordinarily fetch on sale in the open market on the relevant date, less any receivables and fees due.
31. “**NISM**” means the National Institute of Securities Markets, established by the Board.
32. “**Person**” includes an individual, a HUF, a corporation, a partnership (whether limited or unlimited), a limited liability company, a body of individuals, an association, a proprietorship, a trust, an institutional investor and any other entity or organization whether incorporated or not, whether Indian or foreign, including a government or an agency or instrumentality thereof.
33. “**Portfolio**” means the total holdings of all investments, Securities and Funds belonging to the Client.
34. “**Portfolio Manager**” means Arthya Wealth and Investments Private Limited, a private limited company incorporated under the provisions of the Companies Act, 2013, registered with SEBI as a portfolio manager bearing registration number INP000007225 and having its registered office at 712, The Summit Business Bay, 7th Floor, Near Western Express Highway, Off Andheri-Kurla Road, Andheri (East), Mumbai – 400069, Maharashtra.
35. “**Principal Officer**” means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for:
 - (i) the decisions made by the Portfolio Manager for the management or administration of Portfolio of Securities or the Funds of the Client, as the case may be; and
 - (ii) all other operations of the Portfolio Manager
36. “**Regulations**” or “**SEBI Regulations**” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended/modified and reinstated from time to time and including the circulars/notifications issued pursuant thereto.
37. “**Related Party**” means –

- (i) a director, partner or his relative;
 - (ii) a key managerial personnel or his relative;
 - (iii) a firm, in which a director, partner, manager or his relative is a partner;
 - (iv) a private company in which a director, partner or manager or his relative is a member or director;
 - (v) a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
 - (vi) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
 - (vii) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - (viii) any body corporate which is— (A) a holding, subsidiary or an associate company of the Portfolio Manager; or (B) a subsidiary of a holding company to which the Portfolio Manager is also a subsidiary; (C) an investing company or the venturer of the Portfolio Manager— The investing company or the venturer of the Portfolio Manager means a body corporate whose investment in the Portfolio Manager would result in the Portfolio Manager becoming an associate of the body corporate;
 - (ix) a related party as defined under the applicable accounting standards;
 - (x) such other person as may be specified by the Board: Provided that,
 - (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
 - (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding Financial Year; shall be deemed to be a related party;
38. “**Securities**” means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.

3. Description

(i) History, Present Business and Background of the Portfolio Manager

The Portfolio Manager is a private limited company incorporated under the Companies Act, 2013 on June 15, 2020 at Mumbai. It has a portfolio manager license (registration number INP000007225) to offer discretionary portfolio management services, non-discretionary portfolio management services, and advisory services to high net-worth individuals (HNIs), institutional clients, corporates and other permissible class of investors.

(ii) Promoters of the Portfolio Manager, Directors and their background

(a) Mr. Gaurav Arora

Mr. Gaurav Arora completed his post-graduation programme in management from Indian Institute of Management, Bangalore in 2003. At ASK Wealth Advisors Private Limited (July 2016 to May 2020) and Religare Private Wealth (November 2014 to June 2016), he worked as a Chief Investment Officer. He led product management and strategy for the wealth management and advisory business. He helped in formulating views across various asset classes like equity/ fixed income/ gold/ overseas investments/ real estate/ venture capital- private equity investments/ other alternative assets. He has been an expert at identifying suitable investment strategies/products across asset classes for investors across market cycles. He led a team of product specialists and research analysts to offer the best investment options to clients, and to perform detailed due diligence on a vast universe of investment alternatives on an ongoing basis. He played an active role in engaging with high networth individuals/ ultra-high networth individuals/ family offices/ corporate clients on their investment portfolios, helping them navigate and understand various investment products, and helping manage their portfolios on an ongoing basis.

At IIFL Wealth Management (May 2008 to November 2014), he set up the product proposition from scratch to enable a highly competitive and fast-growing business. His expertise across a diversified product platform includes mutual funds, portfolio management services, equity advisory products, arbitrage products, fixed income trading, structured products (equity linked notes), commodities, private equity, securitisation, structured credit and real estate. As co-fund manager, structured credit at IIFL alternative investment fund, he managed the entire value chain of investing into non-real estate structured credit transactions (sourcing, credit evaluation, structuring, investments, compliance & monitoring, risk management). At Standard Chartered Bank (May 2005 to May 2008), he helped in building the investment and portfolio strategy at the private bank from the inception of the business in India in May 2007.

(b) Ms. Smitha Jain Arora

Ms. Smitha Arora completed her PGDBA in Finance from MCIM, Bangalore. She has around 8 years of banking experience. She started with investment banking at HSBC in trust operations where she assisted the United States' team with mutual funds trading operations. After over 2 years, she joined Deutsche Bank for their OTC derivatives settlements team, where she managed the entire value chain of OTC derivative settlements across 3 overseas entities (New York, Frankfurt, London) including pre and post settlements of Nostro Accounts. In 2007, she moved to corporate banking with Kotak Mahindra Bank in the risk division where she designed, implemented the credit rating system (K-RAM: Kotak risk assessment model) for rating wholesale banking customers across industries, a key requirement for credit appraisal proposals bank wide. She was also a part of the ICAAP team to assess and measure Basel

Pillar II - credit concentration risk across the bank.

(iii) **Top 10 Group companies/firms of the portfolio manager on turnover. basis (latest audited financial statements may be used for this purpose)**

Not applicable.

(iv) **Details of the services being offered: Discretionary, Non-Discretionary and Advisory**

The Portfolio Manager proposes to primarily carry on discretionary portfolio management services and if opportunity arises thereafter, then it also proposes to render non-discretionary portfolio management services and advisory services.

The key features of all the said services are provided as follows:

(a) **Discretionary Services:**

Under the discretionary PMS, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of assets of the Client. The Securities invested/divested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the Agreement or any time except on the ground of fraud, malafide intent, conflict of interest (other than those already disclosed in the Agreement) or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the Applicable Laws. Periodical statements in respect of the Client's assets under management shall be sent to the respective Clients in accordance with the Agreement and the Regulations.

(b) **Non - Discretionary Services:**

Under the non-discretionary PMS, the assets of the Client are managed in consultation with the Client. Under this service, the assets are managed as per the requirements of the Client after due consultation with the Client. The Client has complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager, inter alia, manages transaction execution, accounting, recording or corporate benefits, valuation and reporting aspects on behalf of the Client.

(c) **Advisory Services:**

The Portfolio Manager may provide investment advisory services, in terms of the Regulations, which shall include the responsibility of advising on the Portfolio Investment Approach and investment and divestment of individual securities on the Client Portfolio, for an agreed fee structure and for a defined period, entirely at the Client's risk; to all eligible category of Investors. The Portfolio Manager shall be solely acting as an advisor to the Client Portfolio and shall not be responsible for the investment/divestment of Securities and/or any administrative activities on the Client Portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and/or directives issued by the regulatory authorities and/or the Client, from time to time, in this regard.

4. Penalties, pending litigation or proceedings, findings of inspection or investigation for which action may have been taken or initiated by any regulatory authority.

- (i) All cases of penalties imposed by the Board or the directions issued by the Board under the Act or rules or regulations made thereunder.

Nil

- (ii) The nature of the penalty/direction.

NA

- (iii) Penalties/fines imposed for any economic offence and/ or for violation of any securities laws.

Nil

- (iv) Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any.

Nil

- (v) Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.

Nil

- (vi) Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or rules or regulations made thereunder.

Nil

5. Services Offered

- (i) The present investment objectives and policies including the types of securities in which it generally invests shall be clearly and concisely stated in the Document for easy understanding of the potential investor.

(a) Investment Objective

The investment objective of the Portfolio Manager is to endeavour to deliver superior risk adjusted returns for the Client.

The Portfolio Manager seeks to deliver superior portfolio performance without taking undue risk thereby benefiting the Clients and helping them achieve their goals. Keeping the Clients' interests before its own, the Portfolio Manager intends to focus on best business practices of the fund management industry.

(b) Type of securities in which Portfolio Manager will invest

The Portfolio Manager may invest Capital Contributions in Securities and any other permissible securities/instruments/products as per the Applicable Laws, in such manner and through such markets as it may deem fit in the interest of the Client. Subject to Applicable Laws, the investment in Securities shall primarily comprise of (not an exhaustive list, and may be updated from time to time):

- Listed equity and preference shares of Indian companies,
- Listed debentures, bonds and secured premium notes, including tax exempt bonds of Indian companies and corporations;
- Units and other instruments of mutual funds;
- Exchange Traded Funds (ETFs);
- Sovereign Gold Bonds (SGBs);
- Money market instruments such as government securities, commercial papers, trade bill, treasury bills, certificate of deposit and usance bill;
- Listed Options, Futures, Swaps and such other derivatives as may be permitted from time to time;
- Pass Through Certificates (PTCs);
- Units of Real Estate Investment Trusts (REITs) & Infrastructure Investment Trusts (InvITs);
- Security receipts issued by banks/asset reconstruction companies;
- Such other securities/instruments as specified by SEBI from time to time.

Under the non-discretionary PMS, the Capital Contribution of the Client shall be invested in listed and/or unlisted securities (provided that investment in unlisted securities shall not exceed 25% (twenty-five percent) of the assets under management of such Client) and managed in consultation with the Client.

(ii) Investment Approach of the Portfolio Manager

At Arthya, our endeavour is to create Portfolios made to Perform - comprising of securities across asset classes (primarily listed stocks of great businesses, with long term growth potential) - while at the same time striking the right balance in portfolio constitution to achieve the desired investment objectives.

Thus, while creating our Portfolios, we are driven by the Three Golden Goals: BALANCE – PERFORMANCE – ADHERENCE

The Portfolio Manager proposes to offer portfolio management services to high net-worth individuals (HNIs), institutional clients, corporate and any other permissible class of investors in respect of investment in Indian securities and capital markets (and/or in overseas instruments as per specific regulations in this regard).

The Portfolio Manager proposes employing fundamentals driven investment strategies to make investments with the objective of delivering superior risk-adjusted returns to its clients. **Any/all of these strategies shall be offered through Discretionary and/or Non-discretionary and/or Advisory Portfolio format to various investors.**

This is meant to be achieved across following major set of broad strategies:

I. MULTI-ASSET STRATEGIES

Model portfolio driven strategy across permissible asset classes and permissible instruments.

I-A. Investment Approach - Arthya Multi-Asset Portfolio:

The Portfolio Manager proposes to build and manage model portfolio driven strategies for various categories of clients, classified by risk profiles. These (indicative) model portfolios will consist of investments across asset classes and products/instruments as permissible under the SEBI Regulations. The portfolio Manager may also offer customised portfolios construct as per specific clients' risk profiles / investment requirements. The asset classes would/could include (subject to the SEBI Regulations on an ongoing basis, thus not an exhaustive list):

FIXED INCOME:

Fixed Deposits/ Debt Mutual Funds/ Bonds & Debentures/ Market Linked Debentures

EQUITY:

Equity Mutual Funds/ Equity Stocks (Listed)/ Equity Structured Products/ Derivative instruments/ Unlisted Equity (NDPMS only)

ALTERNATIVES:

Gold (through ETFs/Funds/Bonds)/ Listed REITs & InvITs/ Commodities/ Investments in overseas instruments under RBI-LRS scheme (as permissible under regulations).

Portfolio construct:

The model portfolios would be constructed from the above, in various combinations for various investor risk profiles. Alternatively, portfolio manager may create customized portfolios for investors basis their specific investment objectives and risk assumptions, as a combination of one or more of the above specified asset classes/instruments.

An indicative allocation profile for the portfolio construction is as tabulated below:

	Conservative	Moderate	Balanced	Assertive (Growth)	Aggressive
Fixed Income Assets (including Cash & Gold)	75%	65%	55%	45%	30%
Growth Assets (including Equity)	25%	35%	45%	55%	70%

Benchmark: NSE Multi Asset Index 2

Suggested Investment Horizon

The minimum suggested investment horizon to investors shall be 3 years.

STRATEGY RISK FACTORS:

General Risk:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the strategy/portfolio will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a license to function as a portfolio manager only on June 09, 2021. However, the Principal Officer, directors and other key management personnel of the Portfolio Manager have rich, relevant and cumulative individual experience in the domain of investments.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- If there will be any transactions of purchase and/or sale of securities by Portfolio Manager and employees who are directly involved in investment operations that conflicts with transactions in any of the Client Portfolio, the same shall be disclosed to the Client.
- The group companies of Portfolio Manager may offer services in nature of consultancy, sponsorship etc., which may be in conflict with the activities of portfolio management services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager
- Other risks arising from the investment objectives, investment strategy, Investment Approach and asset allocation are stated as under

Equity:

- Equity and equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- In domestic markets, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.
- In the event of inordinately low volumes, there may be delays with respect to unwinding the Portfolio and transferring the redemption proceeds.
- The value of the Client Portfolio, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the Portfolio valuation may fluctuate and can go up or down.

- Client may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

Fixed Income:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- Mutual Funds being vehicles of securities, investments are subject to market and other risks and there can be no guarantee against loss resulting from investing in the scheme. The various factors which impact the value of scheme's investments include but are not limited to fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of securities, tax laws, liquidity of the underlying instruments, settlements periods, trading volumes etc. and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved.
- As the liquidity of the Scheme's investments could at times, be restricted by trading volumes and settlement periods, the time taken by the Fund for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the Scheme's portfolio. In view of this the Trustee has the right, at their sole discretion to limit redemptions (including suspending redemption) under certain circumstances, as described under the section titled "Right to limit Redemptions".
- The AMC may, considering the overall level of risk of the portfolio, invest in lower rated / unrated securities offering higher yields as well as zero coupon securities that offer attractive yields. This may increase the absolute level of risk of the portfolio.

Liquidity Risk –

Debentures are listed on exchange, however liquidity in these bonds may or may not be available at all time. The issuer does not guarantee any liquidity in these bonds before maturity. Liquidity risk could also arise due to non-availability of adequate funds or non-availability of adequate funds at an appropriate cost, or of appropriate tenure, to meet company's business requirements.

Credit Risk –

While the repayment of sums due at maturity is provided by the Issuer, receipt of any coupon payment and principal amount at maturity on the Debentures is subject to the credit risk of the Issuer. Investors assume the risk that the Company will not be able to satisfy their obligations under the Debentures and Investor may or may not recover all or part of the Principal Amount in case of default by the Issuer. If bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Company, the payment of sums due on the Debentures may be substantially reduced or delayed.

Downgrade in Credit rating –

Any adverse revisions of company's credit rating may adversely impact companies' ability to raise additional financing, the interest rates, and other commercial terms at which such additional financing is available. This could have a material adverse effect on their business and financial performance and their ability to obtain financing for lending operations.

Various other risk such as interest rate risk, reinvestment risk, basis risk, spread risk may be associated with this investment.

II. EQUITY STRATEGIES

Fundamentals driven, Listed Equity/Equity Mutual Fund Portfolio offerings for long term wealth creation for investors.

Almost all kind of investors want to participate in the India growth opportunity by investing in Indian listed equity markets. The intention is to achieve long term growth in their investments through the price appreciation in the stocks of listed Indian companies.

The Portfolio Manager proposes to improve the investment experience for investors who find it difficult to get the right quality advice and guidance on picking the right stocks/businesses, and mostly end up with sub-optimal returns on their investments in the medium to long term. This is proposed to be done by the Portfolio Manager offering to its clients, portfolio strategies focused on generating long-term alpha by investing in good quality businesses listed on Indian stock exchanges.

Investment Philosophy and Architecture (Listed Equities):

The approach towards building portfolios to achieve the above results is appended below:

- Well-crafted portfolio of high-quality stocks which would result in healthy value creation while keeping the risks well in control and managed
- Investing in companies after deep research - including on-ground research (scuttlebutt, channel- checks) - and hence ones where there is high conviction
- Combining macro i.e. top down with micro i.e. bottom up approach. Macro would help identify long term trends – emanating from social, economic or technological aspects - while micro would help pick companies with right business models that would grow within these themes or opportunities
- Companies with superior investment characteristics are companies with high return on invested capital, have strong competitive moat which would help them protect their ROICs, high quality of earnings (operating and free cash flow conversion), disciplined capital allocation and distribution policy which is rewarding for minority shareholders, and a transparent and ethical management team
- Among companies with superior investment attributes, identify companies which are in their right growth phase – visibility of high growth over the next 3-5 years. Quality of growth is also critical – growth backed by cash flows and without commensurate rise in capital investments
- Within companies which meet the above quality and growth criteria, investing in ones that are available at reasonable valuations which improves the risk reward significantly. Such scalable businesses can create value through compounding over a medium to long term period
- Avoiding companies with high risks such as balance sheet risks, capital allocation issues, governance risks or risks of disruptions
- Using a mix of proprietary quantitative evaluation criteria (filtering and selection), as well as extensive fundamental research basis various parameters like management quality, business scale and opportunity, management policies, competitive landscape etc.

Suggested Investment Horizon:

The minimum suggested investment horizon to investors shall be 3 years.

Equity investment strategies – suited to meet diverse needs of investors.

Guided by the investment philosophy outlined above, different equity investment portfolios will be offered to clients. The brief outlines of the individual portfolio strategies are as below –

II-A. Investment Approach - Arthya Multi-cap Portfolio:

- A market capitalisation agnostic, actively managed multi-cap portfolio
- Invest in companies benefitting from mega trends, with superior investment characteristics, in their right growth phase, and available at reasonable valuations
- Aim to create substantial alpha over benchmark indices over a period of 3-5 years.

Portfolio construct:

A balanced mix between large-cap, mid-cap and small-cap companies to generate optimal risk-adjusted returns for investors.

Typically, the portfolios shall comprise of 20-25 stocks, with allocation managed across stocks and sectors to achieve optimum diversification, while avoiding over-concentration or over-diversification.

Strategic portfolios with Dynamic bias:

While the portfolios are proposed to be constructed for long term compounding, the portfolio manager proposes to dynamically enhance the medium-term alpha generation potential for investors. This can be done in the following ways:

- Overweight/underweight view on certain sectors from time to time
- Increasing/decreasing cash levels in the portfolio to some extent
- Profit booking/trimming positions from certain stocks at suitable opportunities, etc.

This shall be done to try and build some complementarity to the other equity investment allocations that the investors may have across other funds/strategies and create certain degree of differentiated risk-return outcome in the medium term as compared to pure long-only equity strategies, with an intention to deliver superior risk-adjusted-returns to investors.

Benchmark: BSE 500 TRI

II-B. Investment Approach - Arthya Opportunities Portfolio:

Portfolio targeted at identifying stocks that have potential of generating attractive returns over short to mid-term time horizon. The strategy is to identify fundamentally sound companies, mostly large caps / large midcaps with near term triggers and that possess divergence between price & value.

Portfolio construct:

Under this strategy, we evaluate companies having superior business characteristics, with decent return catalysts visible over the next 2-3 quarters. Strategy is to capture mispricing of business value at opportune time caused by varied market phenomenon.

Benchmark: Nifty 50 TRI

II-C. Investment Approach - Arthya Emerging Stars Portfolio:

- Portfolio designed to invest in companies that fit our investment philosophy and might have the potential to create long term superior returns for investors
- This mid and small cap-oriented portfolio shall consist of 14-16 high quality emerging businesses with high growth potential. Focus is to create a well-diversified portfolio with high conviction concentrated bets
- Portfolio is designed to invest in businesses that capture growth opportunities across domestic and global economies
- Suitable for investors with higher risk appetite over medium-long time horizon
- Generate superior alpha over 3-5 year period.

Portfolio construct:

Emerging Stars portfolio is constructed with a focus on mid-size companies that have competitive advantage and longevity of earnings growth. Under this strategy, we evaluate companies with a focus on quality and that have passed the test of our strong research filter criteria. The portfolio aims to deliver superior returns over medium and long term. Superior return objective is achieved by investing in high-quality, growth-oriented companies with strong fundamentals.

Benchmark: BSE 500 TRI

II-D. Investment Approach - Arthya Leaders Portfolio:

- The portfolio objective is to generate sustained compounding of returns with capital preservation over long term.
- Portfolio constructed primarily of large caps and larger midcaps with some exceptions
- The portfolio shall consist of 14-16 high quality businesses, providing a well-diversified portfolio that is suitable for investors with lower risk appetite.
- Potential substitute for Index/MFs/pure long only Large Cap strategies; with better risk-return positioning.

Portfolio construct:

The portfolio is constructed with a focus on investing in high-quality companies (sector leaders) that have a proven track record of success and are positioned for sector leading growth. Portfolio aims to identify companies which have strong management pedigree, sustainable competitive moats, superior capital allocation and distribution. With its focus on quality and the right risk-reward balance, this approach can potentially achieve consistent risk adjusted alpha.

Benchmark: Nifty 50 TRI

II-E. Investment Approach - Arthya Core Portfolio:

- The Core portfolio is designed to provide investors exposure to superior quality businesses, with a judicious mix of large/mid/small cap companies. Objective is to generate sustained compounding of returns over medium to long term period.
- The portfolio manager shall create a portfolio of high conviction ideas, with relatively higher concentration, and a relatively longer investment horizon, with a view of generating outsized long-term compounding.
- This may consist of some deep researched, relatively under owned businesses which the portfolio manager believes may create significant long-term alpha for investors.
- The portfolio shall consist of 12-16 high quality, high conviction businesses, providing a diversified yet focused investment opportunity to investors.

Portfolio construct:

The portfolio is constructed with a focus on investing in high-quality companies that have a proven track record of success and are positioned for sector leading growth in their respective sectors. Portfolio aims to identify companies which have strong management pedigree, sustainable competitive moats, superior capital allocation and distribution. With its focus on quality and the right risk-reward balance, this approach can help deliver consistent risk adjusted returns.

Benchmark: Nifty 50 TRI

II-F. Investment Approach - Arthya Growth Plus Portfolio

Portfolio manager will create a portfolio of predominantly equity/equity oriented mutual funds/ETFs to generate long term capital appreciation.

Portfolio construct:

Based on the economic situation and market outlook, the portfolio manager arrives at an allocation between various categories of Equity mutual funds such as Large-Cap, Flexi cap, Multicap, Mid-Cap, Small-Cap, Micro-Cap, Value, Growth, Contra, Thematic, international Funds, etc. Subsequently, based on comprehensive qualitative and quantitative analysis, the portfolio manager will select the ideal funds/ETFs within these categories. Fund manager may also take sectoral/tactical exposures based on view on markets/specific sectors/themes. The portfolio shall endeavor to create reasonable risk adjusted alpha for

investors through intelligent selection of various mutual funds/ETFs. The portfolio manager will follow a balanced approach to risk and returns, and thus the portfolio is suitable for almost all risk category investors through appropriate sizing of allocation from investors in their overall financial portfolio. Cash available in portfolio may be temporarily invested in Overnight / Liquid / Ultrashort or Arbitrage mutual funds by the portfolio manager.

The portfolio manager may also tactically invest in commodities like Gold/Silver etc through regulated ETFs/funds from time to time.

Benchmark: Nifty 50 TRI

Portfolio construct:

Indicative Asset allocation bands: (in %)

	Equity/Equity oriented mutual funds/ETFs	Cash	Gold (Tactical)
Min	0	0	0
Max	100	100	30

Suggested Investment Horizon:

The minimum suggested investment horizon to investors shall be 3 years.

STRATEGY RISK FACTORS:

General Risks:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS strategies will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a license to function as a portfolio manager only on June 09, 2021. However, the Principal Officer, directors and other key management personnel of the Portfolio Manager have rich, relevant and cumulative individual experience in the domain of investments.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- If there will be any transactions of purchase and/or sale of securities by Portfolio Manager and employees who are directly involved in investment operations that conflicts with transactions in any of the Client Portfolio, the same shall be disclosed to the Client.
- The group companies of Portfolio Manager may offer services in nature of consultancy, sponsorship etc., which may be in conflict with the activities of portfolio management services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities, pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager

Other risks arising from the investment objectives, investment strategy, Investment Approach and asset allocation are stated as under

Equity:

- Equity and equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.
- In domestic markets, there may be risks associated with trading volumes, settlement periods and transfer procedures that may restrict liquidity of investments in equity and equity related securities.

- In the event of inordinately low volumes, there may be delays with respect to unwinding the Portfolio and transferring the redemption proceeds.
- The value of the Client Portfolio, may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws or policies of any appropriate authority and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. Consequently, the Portfolio valuation may fluctuate and can go up or down.
- Client may note that Portfolio Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

III. DEBT STRATEGIES

Curated portfolio of Fixed Income instruments including Bonds, Debentures, Debt Mutual Funds, REITs/InvITs etc to enable investors achieve higher yield on their fixed income investments over medium term investment horizon.

III-A. Investment Approach - Arthya Yield Plus Portfolio

Investment Objective - The objective of the portfolio is to achieve higher gross yield on investor's fixed income allocation compared to fixed deposits, G-Secs and/or other comparable debt instruments, while at the same time managing the investment risk (primarily credit and duration risk) efficiently. The portfolios can also have investor specific investment objective and risk assumptions to create a portfolio aligned accordingly.

Investment Approach -

The portfolio shall consist primarily of Bonds, Debentures and Debt Mutual Funds, units of listed REITs and InvITs, and/or other permissible fixed income securities/instruments as permissible under PMS Regulations. Based on the macro/micro economic situation, credit environment and outlook on the yield curve, the portfolio manager will outline the targeted Duration Risk and Credit Risk to be assumed in the portfolio. Basis the above, portfolio manager will identify suitable investment options across the credit/yield curve to achieve the desired investment objective over a medium term (2-3 years) investment horizon. The portfolio will largely be constructed with a hold to maturity orientation, with tactical investments based on secondary market trading opportunities and/or yield curve opportunities from time to time.

Portfolio construct:

The Portfolio Manager uses quantitative and qualitative parameters to select the investment securities and assign weightages.

Indicative Asset allocation bands: (in %)

	Bonds/NCD/G-Sec/Preference Shares/Fixed Income mutual fund units / ETF / PTC /Tbills / SDL / CP / CD	Cash	Others including InvIT/ REIT's
Min	0	0	0
Max	100	100	50

The portfolio will consist primarily of investment grade Bonds/Debentures issued by various entities, (or till permissible definition of investment grade instruments). The most likely tenure of these instruments will be 12-30 months.

Benchmark: CRISIL COMPOSITE BOND FUND INDEX

Suggested Investment Horizon:

The minimum suggested investment horizon to investors shall be 2-3 years.

III-B. Investment Approach - Arthya Liquid Portfolio

Investment Objective - The objective of the portfolio is to enable investors to make staggered allocation to equities, through one or more strategies as offered by the portfolio manager, thus helping the investors navigate market volatility by not investing all the funds at one go. This can be done by investing in Arthya Liquid Portfolio and subsequently transferring funds to other strategies offered by the portfolio manager over a period – either through pre-stated STP mandate, or by allowing the portfolio manager to discretionally decide the allocation from liquid to other strategy(s) over a period of time basis view on markets/stocks.

Investment Approach -

The portfolio shall consist primarily of Overnight and Liquid Mutual Funds, and any other money market mutual funds including liquid ETFs and/or other permissible instruments for achieving the investment objective.

Benchmark - CRISIL COMPOSITE BOND FUND INDEX

Suggested Investment Horizon:

The minimum suggested investment horizon to investors shall be 1 week.

STRATEGY RISK FACTORS:

General Risk:

- Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the strategy/portfolio will be achieved.
- The Portfolio Manager has no previous experience/track record in the field of portfolio management services and has obtained a license to function as a portfolio manager only on June 09, 2021. However, the Principal Officer, directors and other key management personnel of the Portfolio Manager have rich, relevant and cumulative individual experience in the domain of investments.
- Without prejudice to the above, the past performance of the Portfolio Manager does not indicate its future performance.
- Any act, omission or commission of the Portfolio Manager under the Agreement would be solely at the risk of the Client and the Portfolio Manager will not be liable for any act, omission or commission or failure to act save and except in cases of gross negligence, willful default and/or fraud of the Portfolio Manager.
- The Client Portfolio may be affected by settlement periods and transfer procedures.
- The PMS is subject to risk arising out of non-diversification as the Portfolio Manager under its PMS may invest in a particular sector, industry, few/single Portfolio Entity/ies. The performance of the Client Portfolio would depend on the performance of such companies/industries/sectors of the economy.
- If there will be any transactions of purchase and/or sale of securities by Portfolio Manager and employees who are directly involved in investment operations that conflicts with transactions in any of the Client Portfolio, the same shall be disclosed to the Client.
- The group companies of Portfolio Manager may offer services in nature of consultancy, sponsorship etc., which may be in conflict with the activities of portfolio management services.
- The provisions of the Agreement and the principal and returns on the Securities subscribed by the Portfolio Manager may be subject to force majeure and external risks such as war, natural calamities,

pandemics, policy changes of local / international markets and such events which are beyond the reasonable control of the Portfolio Manager. Any policy change / technology updates / obsolescence of technology would affect the investments made by the Portfolio Manager

- Other risks arising from the investment objectives, investment strategy, Investment Approach and asset allocation are stated as under

Fixed Income:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- Mutual Funds being vehicles of securities, investments are subject to market and other risks and there can be no guarantee against loss resulting from investing in the scheme. The various factors which impact the value of scheme's investments include but are not limited to fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of securities, tax laws, liquidity of the underlying instruments, settlements periods, trading volumes etc. and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved.
- As the liquidity of the Scheme's investments could at times, be restricted by trading volumes and settlement periods, the time taken by the Fund for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the Scheme's portfolio. In view of this the Trustee has the right, at their sole discretion to limit redemptions (including suspending redemption) under certain circumstances, as described under the section titled "Right to limit Redemptions".
- The AMC may, considering the overall level of risk of the portfolio, invest in lower rated / unrated securities offering higher yields as well as zero coupon securities that offer attractive yields. This may increase the absolute level of risk of the portfolio.

Liquidity Risk –

Debentures are listed on exchange, however liquidity in these bonds may or may not be available at all time. The issuer does not guarantee any liquidity in these bonds before maturity. Liquidity risk could also arise due to non-availability of adequate funds or non-availability of adequate funds at an appropriate cost, or of appropriate tenure, to meet company's business requirements.

Credit Risk –

While the repayment of sums due at maturity is provided by the Issuer, receipt of any coupon payment and principal amount at maturity on the Debentures is subject to the credit risk of the Issuer. Investors assume the risk that the Company will not be able to satisfy their obligations under the Debentures and Investor may or may not recover all or part of the Principal Amount in case of default by the Issuer. If bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Company, the payment of sums due on the Debentures may be substantially reduced or delayed.

Downgrade in Credit rating –

Any adverse revisions of company's credit rating may adversely impact companies' ability to raise additional financing, the interest rates, and other commercial terms at which such additional financing is available. This could have a material adverse effect on their business and financial performance and their ability to obtain financing for lending operations.

Various other risk such as interest rate risk, reinvestment risk, basis risk, spread risk may be associated with this investment.

(iii) The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/guidelines.

The Portfolio Manager will not be investing in any Associate/ Group companies/Related Entities.

6. Risk Factors

A. General Risks Factors

- (1) Investment in Securities, whether on the basis of fundamental or technical analysis or otherwise, is subject to market risks which include price fluctuations, impact cost, basis risk etc.
- (2) The Portfolio Manager does not assure that the objectives of any of the Investment Approach will be achieved and investors are not being offered any guaranteed returns. The investments may not be suitable to all the investors.
- (3) Past performance of the Portfolio Manager does not indicate the future performance of the same or any other Investment Approach in future or any other future Investment Approach of the Portfolio Manager.
- (4) The names of the Investment Approach do not in any manner indicate their prospects or returns.
- (5) Appreciation in any of the Investment Approach can be restricted in the event of a high asset allocation to cash, when stock appreciates. The performance of any Investment Approach may also be affected due to any other asset allocation factors.
- (6) When investments are restricted to a particular or few sector(s) under any Investment Approach; there arises a risk called non-diversification or concentration risk. If the sector(s), for any reason, fails to perform, the Portfolio value will be adversely affected.
- (7) Each Portfolio will be exposed to various risks depending on the investment objective, Investment Approach and the asset allocation. The investment objective, Investment Approach and the asset allocation may differ from Client to Client. However, generally, highly concentrated Portfolios with lesser number of stocks will be more volatile than a Portfolio with a larger number of stocks.
- (8) The values of the Portfolio may be affected by changes in the general market conditions and factors and forces affecting the capital markets, in particular, level of interest rates, various market related factors, trading volumes, settlement periods, transfer procedures, currency exchange rates, foreign investments, changes in government policies, taxation, political, economic and other developments, closure of stock exchanges, etc.
- (9) The Portfolio Manager shall act in fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing in a manner which is not detrimental to the Client.

B. Risk associated with equity and equity related instruments

- (10) Equity and equity related instruments by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of equity and equity related instruments may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the government, taxation laws, political, economic or other developments, which may have an adverse impact on individual Securities, a specific sector or all sectors. Consequently, the value of the Client's Portfolio may be adversely affected.

- (11) Equity and equity related instruments listed on the stock exchange carry lower liquidity risk, however the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended Securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell Securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of Securities held in the Client's Portfolio.
- (12) Risk may also arise due to an inherent nature/risk in the stock markets such as, volatility, market scams, circular trading, price rigging, liquidity changes, de-listing of Securities or market closure, relatively small number of scrip's accounting for a large proportion of trading volume among others.

C. Risk associated with debt and money market securities

(13) Interest Rate Risk

Fixed income and money market Securities run interest-rate risk. Generally, when interest rates rise, prices of existing fixed income Securities fall and when interest rate falls, the prices increase. In case of floating rate Securities, an additional risk could arise because of the changes in the spreads of floating rate Securities. With the increase in the spread of floating rate Securities, the price can fall and with decrease in spread of floating rate Securities, the prices can rise.

(14) Liquidity or Marketability Risk

The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. The Securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these Securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

(15) Credit Risk

Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on government Securities which are sovereign obligations and free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

(16) Reinvestment Risk

This refers to the interest rate risk at which the intermediate cash flows received from the Securities in the Portfolio including maturity proceeds are reinvested. Investments in fixed income Securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the debt security. Consequently, the proceeds may get invested at a lower rate.

D. Risk associated with derivatives instruments

- (17) The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies.

(18) Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

E. Risk associated with investments in mutual fund schemes

(19) Mutual funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the schemes will be achieved. The various factors which impact the value of the scheme's investments include, but are not limited to, fluctuations in markets, interest rates, prevailing political and economic environment, changes in government policy, tax laws in various countries, liquidity of the underlying instruments, settlement periods, trading volumes, etc.

(20) As with any securities investment, the NAV of the units issued under the schemes can go up or down, depending on the factors and forces affecting the capital markets.

(21) Past performance of the sponsors, asset management company (AMC)/fund does not indicate the future performance of the schemes of the fund.

(22) The Portfolio Manager shall not be responsible for liquidity of the scheme's investments which at times, be restricted by trading volumes and settlement periods. The time taken by the scheme for redemption of units may be significant in the event of an inordinately large number of redemption requests or of a restructuring of the schemes.

(23) The Portfolio Manager shall not be responsible, if the AMC/ fund does not comply with the provisions of SEBI (Mutual Funds) Regulations, 1996 or any other circular or acts as amended from time to time. The Portfolio Manager shall also not be liable for any changes in the offer document(s)/scheme information document(s) of the scheme(s), which may vary substantially depending on the market risks, general economic and political conditions in India and other countries globally, the monetary and interest policies, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally.

(24) The Portfolio Manager shall not be liable for any default, negligence, lapse error or fraud on the part of the AMC/the fund.

(25) While it would be the endeavor of the Portfolio Manager to invest in the schemes in a manner, which will seek to maximize returns, the performance of the underlying schemes may vary which may lead to the returns of this portfolio being adversely impacted.

(26) The scheme specific risk factors of each of the underlying schemes become applicable where the Portfolio Manager invests in any underlying scheme. Investors who intend to invest in this portfolio are required to and are deemed to have read and understood the risk factors of the underlying schemes.

F. Risk arising out of Non-diversification

(27) The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non-diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry. Similarly, the portfolios with investment objective to have larger exposure to certain market capitalization buckets, would be exposed to risk associated with underperformance of those relevant market capitalization buckets. Moreover, from the style orientation perspective, concentrated exposure to value or growth stocks based on the requirement of the mandate/strategy may also result in risk associated with this factor.

G. Risk arising out of investment in Associate and Related Party transactions

(28) All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the client's portfolio.

(29) The Portfolio Manager may utilize the services of its group companies or associates for managing the portfolios of the client. In such scenarios, the Portfolio Manager shall endeavour to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates by ensuring that such dealings are at arm's length basis.

(30) The Portfolios may invest in its Associates/ Related Parties relating to portfolio management services and thus conflict of interest may arise while investing in securities of the Associates/Related Parties of the Portfolio Manager. Portfolio Manager shall ensure that such transactions shall be purely on arms' length basis and to the extent and limits permitted under the Regulations. Accordingly, all market risk and investment risk as applicable to securities may also be applicable while investing in securities of the Associates/Related Parties of the Portfolio Manager.

7. Nature of expenses:

The following are the general costs and expenses to be borne by the Clients availing the services of the Portfolio Manager. However, the exact nature of expenses relating to each of the following services is annexed to the Agreement in respect of each of the services provided.

i. Management fee:

The management fee relates to the portfolio management services offered to the Clients. The fee may be a fixed charge or a percentage of the quantum of the funds being managed as agreed in the Agreement. Fees are charged between 0% to 2.5% p.a.

ii. Advisory fees:

The advisory fees relates to the advisory services offered by the Portfolio Manager to the client. The fee may be a fixed charge or a percentage of the quantum of the funds being advised as agreed in the Agreement.

iii. Performance fee:

The performance fee relates to the share of profits charged by the Portfolio Manager, subject to hurdle rate and high water mark principle as per the details provided in the Agreement. Performance fee is charged between 5% to 25% over hurdle rate

iv. Exit Load:

The Portfolio Manager may charge early withdrawal fee as a percentage of the value of the Portfolio /withdrawn Portfolio as per the terms and conditions of a particular Product as agreed in the Agreement. Generally, exit load structure is 1% within First Year from the portfolio commencement day, however this can change based on client to client.

v. Registrar and transfer agent fee

A fee payable to the Registrar and Transfer Agents for effecting transfers of Securities and includes stamp charges, notary charges, cost of affidavits, courier, post etc.

vii. Custodian Fee:

The charges relating to the opening and operation of dematerialized accounts, custody and transfer/transmission charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts would be at actuals by the custodian and shall be borne by the Client. Such fees shall be payable every month.

Custodian charges will be capped at 12 bps.

vi. Other fees and expenses:

The Portfolio Manager may incur the following expenses which shall be charged/reimbursed by the Client:

(a) Transaction expenses including, but not limited to, statutory fees, documentation charges, statutory levies, stamp duty, registration charges, commissions, charges for transactions in Securities, fees for fund accounting, valuation charges, audit and verification fees, depository charges, and other similar or associated fees, charges and levies, legal fees, incidental expenses etc.;

(b) Brokerage shall be charged at actuals;

The brokerage charges and other charges like service charges, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments would be at actuals and shall be borne by the Client. Such fees shall be payable as and when charged by the relevant Service Provider.

Brokerage charges will be capped at 16 bps.

(c) Legal and statutory expenses including litigation expenses, if any, in relation to the Portfolio;

(d) Statutory taxes and levies, if any, payable in connection with the Portfolio;

(e) Valuation expenses, valuer fees, audit fees, levies and charges;

(f) All other costs, expenses, charges, levies, duties, administrative, statutory, revenue levies and other incidental costs, fees, expenses not specifically covered above, whether agreed upon in the Agreement or not, arising out of or in the course of managing or operating the Portfolio.

Provided the Portfolio Manager shall not charge any up-front fees to the Client whether directly or indirectly. Notwithstanding the above, the Portfolio Manager may charge up-front costs and expenses so attributable to the Client in terms of the Agreement.

Arthya Wealth and Investments Private Limited has appointed "Orbis Financial Corporation Limited" as its Custodian and Fund Accountant.

8. TAXATION

A) GENERAL

- 8.1 The following information is based on the tax laws in force in India as of the date of this Disclosure document and reflects the portfolio Manager's understanding of applicable provisions. The tax implications for each Client may vary significantly based on residential status and individual circumstances. As the information provided is generic in nature, Clients are advised to seek guidance from their own tax advisors or consultants regarding the tax treatment of their income, losses, and expenses related to investments in the portfolio management services. The Client is responsible for meeting advance tax obligations as per applicable laws.

The Finance Act, 2024, has provided an option to Individuals and HUF for payment of taxes at the following reduced rates from Assessment Year 2026-2027 and onwards:

Type	Old Regime			New Regime	
	< 60 Yrs	60 - 80 Yrs	>80 Yrs	All Age Groups of Individuals	
Total Income (INR)	Rate*	Rate	Rate	Total Income (INR)	Rate
Up to 250000	NIL	NIL	NIL	Up to 400000	NIL
From 250,001 to 300000	5%	NIL	NIL	From 400001 to 800000	5%
From 300,001 to 500000	5%	5%	NIL	From 800001 to 1200000	10%
From 500,001 to 10,00,000	20%	20%	20%	From 1200001 to 1600000	15%
Above 10,00,001	30%	30%	30%	From 1600001 to 2000000	20%
				From 2000001 to 2400000	25%
				Above 2400000	30%

- 8.2 The summary below provides general information on Indian Income-tax implications but is neither intended to be a complete discussion of all tax implications, nor does it purport to be a complete description of all potential tax costs, tax incidence and risks inherent on the acquisition, ownership and sale of Indian securities.
- 8.3 In addition, the comments herein are not binding on the Indian tax authorities and there can be no assurance that the authorities will not take a position contrary to any of the comments herein. It is emphasized that neither the Portfolio Manager nor any other person involved in the preparation of this document accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of the Indian securities. Prospective investors should consult their own tax advisors concerning their individual tax consequences of their particular situations.
- 8.4 We do not make any representation regarding any legal interpretations. Since the information below is based on relevant provisions as of February 2023, any subsequent changes in the said provisions could affect the tax benefits.
- 8.5 General Taxation: The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year, as well as the nature of the income earned. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions, which are afforded under the provisions of the IT Act. A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income.

- 8.6** Section 90(2) of the IT Act provides that where the Government of India has entered into an agreement with the Government of any country outside India or specified territory outside India (where the taxpayer is a resident) for granting relief of tax or avoidance of double taxation, the taxpayer may opt to be taxed as per provisions of the IT Act or the tax treaty/DTAA, whichever is more beneficial
- 8.7** This chapter does not discuss the tax implications applicable to the non-resident Investors under a beneficial DTAA [Section 90(2) of the IT Act], which would need to be analysed separately based on the specific facts.
- 8.8** The Indian government has deposited the ratified Multilateral Instrument (“MLI”) to implement tax treaty related measures to prevent Base Erosion and Profit Shifting (“BEPS”) on 25 June 2019 with Organization for Economic Co-operation and Development (“OECD”) India has notified 93 tax treaties in its ratification and accordingly, India’s tax treaties with such countries will include MLI provisions with effect from 1 April 2020.
- 8.9** This chapter does not discuss the impact of MLI on the claim of beneficial tax treatment under DTAA by a non-resident Investor. The same would need to be analysed separately based on the specific facts, where applicable. Further, the tax rates mentioned herein are exclusive of applicable surcharge and cess, unless specified otherwise.
- 8.10** Taxation of individual income component: Tax implications of the following income received by certain categories of clients from investments in securities as per IT Act are discussed as follows:

(a) Dividend Income:

For FY 2025-2026 Dividend will be taxed in the hands of shareholder at effective rate of 35.88%

- (i) For Resident shareholder: 10% (no surcharge and cess applicable) (TDS withholding u.s 194 / 194K);
- (ii) For Non-resident shareholder: 20% (plus surcharge and cess) under section 115A subject to any beneficial rate available under the applicable tax treaty

The new regime also proposes to levy TDS at the rate of 10% on the income paid by a specified company¹/ MFs to its resident shareholders / resident unitholders if the amount of such income exceeds five thousand rupees in a financial year. However, no tax shall be required to be deducted by the Mutual Fund on income which is in the nature of capital gains.

Deduction under section 57: The FA 2020 allowed deduction of interest expense incurred while earning the dividend income. The expense allowance is restricted to 20% of the dividend income without deduction under section 57. The expense allowance is not a standard deduction per se and the shareholder / unitholder would need to establish and demonstrate that interest expense was actually incurred for the purpose of earning the dividend income. Further, it may be noted that interest expenditure is not likely to be allowable in the year when no dividend income is received by the shareholder / unitholder. Hence, in case of Nil dividend income, the expenditure may not be allowable.

Roll over benefit: Section 80M of the IT Act provides for benefit of roll-over of deduction for the dividend received by a domestic company from another domestic / overseas company or a business trust (Real Estate Investment Trust / Infrastructure Investment

Trust). Accordingly, where a corporate domestic investor receives dividend from a domestic / overseas company or a business trust, such investor shall be eligible for deduction of tax paid on dividend income received (roll over benefit under Section 80M) on further dividend distributed by them to their shareholders. This is done to avoid cascading effect of taxation on the same dividend income.

Gains from sale of securities – Characterization of income: Gains arising from the sale of securities in India (shares, derivatives etc.) may be taxed as Capital Gains (CG) or Business Income (BI) under the provisions of the IT Act, depending on the facts and circumstances of the case.

Characterization of income arising from the sale of Indian securities has been the subject of legal debate. The CBDT issued Circular No 4/2007 dated 15 June 2007 outlining certain judicial principles pronounced by various courts on the determination of whether shares are held as stock-in-trade or held as investments. The Circular states that no single principle is determinative and that the specific facts and circumstances of each case are required to be considered in order to make a determination of whether the shares held would be regarded as stock-in-trade or investment.

The nature of income from the disposal of securities will be classified as **CG** or **BI** depending on whether the investments are held as assets, investments with the object of capital appreciation or stock in trade for the purpose of trade / adventure.

The following conditions are to be generally considered for determining the nature of such income:

The motive of the entity is to earn profits through dividends, or from capital appreciations

- (i) The substantial nature of transactions, the manner of maintaining books of accounts, the magnitude of purchases and sales and the ratio between purchases and sales
- (ii) Intent of the assessee as is evidenced by the documents / records
- (iii) Whether the charter documents authorize any such activity
- (iv) Volume, frequency, continuity and regularity of transactions of purchase and sale

While the above discussion is predominantly in the context of transactions related to shares, on principles it could equally apply even to derivatives. Therefore in the context of derivative transactions, given the short duration and nature of the transactions it is likely that the transaction would be considered as giving rise to BI rather than income from CG.

Furthermore, CBDT has provided further guidance on the matter vide circular No.6/2016 dated 29 February 2016 as follows:

- (v) Where the taxpayer opts to treat listed shares and securities as stock in trade, the income arising from transfer of such shares / securities would be treated as its BI.
- (vi) If the taxpayer desires to treat income arising from the transfer of listed shares and securities held for more than 12 months as CG, the same shall not be disputed by the tax officer. However, such a stand adopted by the assessee will remain applicable in subsequent assessment years also and cannot be altered.

- (vii) In all other cases the nature of the transaction shall continue to be decided basis the facts of each particular case.

The above referred circular applied to listed shares and securities. Therefore, to bring parity in taxability of income/loss arising from transfer of unlisted shares the CBDT issued circular No.225/12/2016 dated 2 May 2016 determining the tax-treatment of income arising from transfer of unlisted shares for which no formal market exists for trading.

CBDT vide this circular clarifies that income arising from transfer of unlisted shares would be considered under the head CG, irrespective of period of holding with a view to avoid disputes/litigation and to maintain a uniform approach.

However, CBDT carves out three exceptions wherein this clarification shall not apply, namely:

- (viii) genuineness of transactions in unlisted shares itself is questionable
- (ix) transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil and
- (x) transfer of unlisted shares is made along with the control and management of underlying business

Thus, it is important to clearly understand the intent of issue of the aforesaid circulars by CBDT from time-to-time and to interpret in a rational manner where gain arising from the sale of securities should be classified under the head CG or BI.

- (b) **Capital Gains:** As per Section 45 of the IT Act, any profits or gains arising from the transfer of capital assets are chargeable to income- tax under the head ‘capital gain’. Section 48 of the IT Act provides that income chargeable as CG is the difference between the full value of the consideration received or accrued on the transfer and the cost of acquisition of such asset plus expenditure in relation to such transfer (indexed in case the shares, being listed shares are held for more than 12 months and purchased in INR). Unlisted shares if not held for more than 24 months will be a short term capital asset and therefore not eligible for indexation. The sale of securities would be taxed as under in the case of resident investors, for capital gains arising in case the transfers happened before 23/07/2024.

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less ² for listed shares and 24 months or less for unlisted shares	15% in case of equity shares or units of an equity-oriented fund listed on any recognised stock exchange in India and the sale is chargeable to STT. Ordinary rate of tax applicable to the respective investors i.e. at the rate up to 30% for corporate investors, 30% for partnership and limited liability partnerships and at the applicable slab rates for individual investors in case of shares that are not listed on any recognised stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.

Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	10% in case equity shares are listed on any recognised stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT ³ . Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakhs only). 20% (after considering indexation) for equity shares which are not listed on any recognised stock exchange in India.
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Gains on sale of securities would be taxed as under in the case of non-resident investors for capital gains arising in case the transfers happened before 23/07/2024

² Period of holding of 12 months considered only in case of shares or securities of an Indian company listed on a recognized stock exchange in India or Units of UTI or Units of an Equity Oriented Mutual Fund or Zero-Coupon Bonds. In respect of unlisted shares, period of holding is considered as 24 months and it is considered as 36 months for other securities.

³ Subject to certain specified exceptions on payment on STT at the time of purchase.

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less for listed shares and 24 months or less for unlisted shares	15% in case of equity shares or units of an equity-oriented fund listed on any recognized stock exchange in India and the sale is chargeable to STT. Ordinary rate of tax applicable to the respective investors i.e. at the rate of 40% for corporate investors, 30% for partnerships and at the applicable slab rates for other non-corporate investors in case of shares that are not listed on any recognized stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	10% in case equity shares are listed on any recognized stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakh only). 10% (in case equity shares listed on any recognised stock exchange but transaction of sale/ transfer not chargeable to STT (without giving effect to first and second proviso to Section 48) Gains on the sale of shares of unlisted companies are subject to tax 10% (without giving effect to first and second proviso to Section 48)

Gains on sale of securities would be taxed as under in the case of resident & non-resident investors for capital gains arising in case the transfers happened on or after 23/07/2024

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less ⁴ for listed shares and 24 months or less for unlisted shares	20% in case of equity shares or units of an equity-oriented fund listed on any recognised stock exchange in India and the sale is chargeable to STT. Ordinary rate of tax applicable to the respective investors i.e. at the rate up to 30% for corporate investors, 30% for partnership and limited liability partnerships and at the applicable slab rates for individual investors in case of shares that are not listed on any recognised stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	12.5% in case equity shares are listed on any recognised stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT ⁵ . Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,25,000 (Indian Rupees One Lakhs Twenty-Five Thousand only). 12.5% for equity shares which are not listed on any recognised stock exchange in India.

Long term capital gains: Where investment under portfolio management services is treated as investment, the gain or loss from transfer of Securities shall be taxed as capital gains under section 45 of the IT Act.

Period of Holding.

Securities	Position upto 22 July 2024 Period of Holding	Position on or after 23 July 2024 Period of Holding	Characterization
Listed Securities (other than unit) and unit of equity oriented mutual funds, unit of UTI, zero coupon bonds)	More than twelve (12) months	More than twelve (12) months	Long-term asset capital
	Twelve (12) months or less	Twelve (12) months or less	Short-term asset capital
Unlisted shares of a company	More than twenty-four (24) months	More than twenty-four (24) months	Long-term asset capital
	Twenty-four (24) or less	Twenty-four (24) or less	Short-term asset capital
Other Securities (other than Specified Mutual Fund or Market Linked Debenture	More than Thirty-six (36) months	More than twenty-four (24) months	Long-term asset capital
acquired on or after 1 April 2023; or unlisted bond or unlisted debenture)	Thirty-six (36) months or less	Twenty-four (24) or less	Short-term asset capital
Specified Mutual Fund or Market Linked Debenture acquired on or after 1 April 2023	Any period	Any period	Short-term asset capital
Unlisted bond or unlisted debenture	More than 36 months		Long-term asset capital
	36 months or less	Any period	Short-term asset capital

⁵ Subject to certain specified exceptions on payment on STT at the time of purchase.

Definition of Specified Mutual Fund:

Before 1st April 2025:

“Specified Mutual Fund” means a mutual fund by whatever name called, where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies.

On and after 1st April 2025:

“Specified Mutual Fund” means, —

- (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent. of its total proceeds in debt and money market instruments; or
- (b) a fund which invests sixty-five per cent. or more of its total proceeds in units of a fund referred to in sub-clause (a).

Definition of debt and money market instruments:

“debt and money market instruments” means a security by whatever name called, which has an called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.

For listed equity shares in a domestic company or units of equity oriented fund or business trust

The Finance Act 2018 changed the method of taxation of long-term capital gains from transfer of listed equity shares and units of equity oriented fund or business trust.

As per section 112A of the IT Act, long term capital gains exceeding INR 1 lakh arising on transfer of listed equity shares in a company or units of equity oriented fund or units of a business trust is taxable at 10%, provided such transfer is chargeable to STT. This exemption limit has been increased from INR 1 lakh to INR 1.25 lakh and tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Further, to avail such concessional rate of tax, STT should also have been paid on acquisition of listed equity shares, unless the listed equity shares have been acquired through any of the notified modes not requiring to fulfil the pre-condition of chargeability to STT.

Long term capital gains arising on transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration is paid or payable in foreign currency, where STT is not chargeable, is also taxed at a rate of 10%. This benefit is available to all assesseees. This tax rate is increased from 10% to 12.5%.

The long term capital gains arising from the transfer of such Securities shall be calculated without indexation. In computing long term capital gains, the cost of acquisition (COA) is an item of deduction from the sale consideration of the shares. To provide relief on gains already accrued upto 31 Jan 2018, a mechanism has been provided to Step u p the COA of Securities. Under this mechanism, COA is substituted with FMV, where sale consideration is higher than the FMV. Where sale value is higher than the COA but not higher than the FMV, the sale value is deemed as the COA.

Specifically in case of long term capital gains arising on sale of shares or units acquired originally as unlisted shares/units upto 31 January 2018, COA is substituted with the “indexed COA” (instead of FMV) where sale consideration is higher than indexed COA. Where sale value is higher than the COA but not higher than the indexed COA, the sale value is deemed as the COA. This

benefit is available only in the case where the shares or units, not listed on a recognised stock exchange as on the 31 January 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31 January 2018 by way of transaction not regarded as transfer under section 47 (e.g. amalgamation, demerger), but listed on such exchange subsequent to the date of transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer.

The CBDT has clarified that 10% withholding tax will be applicable only on dividend income distributed by mutual funds and not on gain arising out of redemption of units.

No deduction under Chapter VI-A or rebated under Section 87A will be allowed from the above long term capital gains.

For other capital assets (securities and units) in the hands of resident of India

Long-term capital gains in respect of capital asset (all securities and units other than listed shares and units of equity oriented mutual funds and business trust) is chargeable to tax at the rate of 20% plus applicable surcharge and education cess, as applicable. The capital gains are computed after taking into account cost of acquisition as adjusted by cost inflation index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. This tax rate is reduced from 20% to 12.5%; but no indexation benefit will be available with effect from 23 July 2024.

As per Finance Act, 2017, the base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take Fair Market Value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as Fair Market Value as on 1 April 2001.

For capital assets in the hands of Foreign Portfolio Investors (FPIs)

Long term capital gains, arising on sale of debt Securities, debt oriented units (other than units purchased in foreign currency and capital gains arising from transfer of such units by offshore funds referred to in section 115AB) are taxable at the rate of 10% under Section 115AD of the IT Act. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024. Such gains would be calculated without considering benefit of (i) indexation for the COA and (ii) determination for capital gain/loss in foreign currency and reconversion of such gain/loss into the Indian currency.

Long term capital gains, arising on sale of listed shares in the company or units of equity oriented funds or units of business trust and subject to conditions relating to payment of STT, are taxable at 10% as mentioned in para 12.10.2 above. This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.

For other capital asset in the hands of non-resident Indians

Under section 115E of the IT Act, any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (specified assets include shares of Indian company, debentures and deposits in an Indian company which is not a private company and Securities issued by Central Government or such other Securities as notified by Central Government) is chargeable at the rate of 20%. Income by way long-term capital gains of the specified asset is, however, chargeable at the rate of 10% plus applicable surcharge and cess (without benefit of indexation and foreign currency fluctuation). This tax rate has been increased from 10% to 12.5% with effect from 23 July 2024.

Short term capital gains

Section 111A of the IT Act provides that short-term capital gains arising on sale of listed equity shares of a company or units of equity oriented fund or units of a business trust are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to Securities Transaction Tax (STT). This tax rate has been increased from 15% to 20% with effect from 23 July 2024. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services

Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Short term capital gains in respect of other capital assets (other than listed equity shares of a company or units of equity oriented fund or units of a business trust) are chargeable to tax as per the relevant slab rates or fixed rate, as the case may be.

The Specified Mutual Funds or Market Linked Debentures acquired on or after 1 April 2023 will be treated as short term capital asset irrespective of period of holding as per Section 50AA of the IT Act. The unlisted bonds and unlisted debentures have been brought within the ambit of Section 50AA of the IT Act with effect from 23 July 2024.

Profits and gains of business or profession

If the Securities under the portfolio management services are regarded as business/trading asset, then any gain/loss arising from sale of such Securities would be taxed under the head "Profits and Gains of Business or Profession" under section 28 of the IT Act. The gain/loss is to be computed under the head "Profits and Gains of Business or Profession" after allowing normal business expenses (inclusive of the expenses incurred on transfer) according to the provisions of the IT Act.

Interest income arising on Securities could be characterized as 'Income from other sources' or 'business income' depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the IT Act.

Losses under the head capital gains/business income

In terms of section 70 read with section 74 of the IT Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

Business loss is allowed to be carried forward for 8 assessment years and the same can be set off against any business income.

(d) Business Income:

As discussed above, the gains on sale of derivative contracts in the futures segment should generally be characterized as BI and the same would be taxable at the rate up to 30% or other ordinary applicable rate.

However, where the derivative contracts are entered into by a person, are settled otherwise than by delivery or transfer of the shares, it may be classified as speculative income, which is a special class of BI (this class of BI cannot set off losses from non-speculative income streams and loss can be carried forward only for four years).

However, where the derivative contracts are entered into electronically through a broker / sub broker on a Stock Exchange, where the broker provides a time stamped contract note, with the PAN of the client thereon, then the income will not be considered as speculative income

Where the Portfolio Manager adopts certain strategies (say 'Long Short') involves simultaneous purchase/sale of securities and derivative products, it might be possible that the tax authorities could construe the same as "trading income" and tax it as Business income (i.e., at higher tax rates).

- (e) **Interest Income:** Classification of interest income is a matter of dispute with contradicting judicial precedents. Whether interest income would be assessable as business income or income from other sources would depend upon the nexus it has with the assessee's business . Interest income is taxable at the ordinary rate of tax applicable to the respective investors i.e., up to the rate of 30% for Indian resident corporate investors, 30% for partnerships and at the applicable slab rates for individual investors.

In case where the listed debt securities (including zero coupon bonds) are transferred, any gains derived from such transfer shall be taxed up to the rate of 30% as short- term capital gains where the period of holding is 12 months or less and at the rate of 10% as long-term capital gains where the period of holding is more than 12 months.

Income-tax provisions applicable to Non-residents in respect of receipt of income from fixed Income products are summarized below:

- (a) In terms of Section 115A of the IT Act, interest on monies borrowed in foreign currency (other than interest referred to in subsequent paragraphs) is taxable at 20% (subject to any tax treaty).
- (b) In terms of Section 115AB of the IT Act, income of an assessee, being an overseas financial organization (Offshore Fund) by way of income received in respect of units purchased in foreign currency or income by way of long term capital gains arising on transfer of units purchased in foreign currency, tax is charged @ 10% when transfer happens before 23/07/2024 and 12.5% when transfer happens on or after 23/07/2024 subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes. No deduction shall be allowed against this income u.s 28 to s. 44C or s. 57(i) or 57(iii) or Chapter VI- A. No indexation shall be allowed on LTCG arising on transfer of units.
- (c) In terms of Section 115AD of the IT Act, income of a Foreign Institutional Investor received in respect of securities (other than units referred in Section 115AB) as defined under the Securities Contracts (Regulations) Act, 1956 is taxed @ 20% (plus applicable surcharge and Health and Education cess) subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes.
- (d) Similar provision is available for other than FII investors who invest in Long- term Bonds of Indian company in foreign currency, withholding shall be done under Section 194LC of the IT Act at 5% (plus applicable surcharge and Health and Education cess) subject to satisfaction of certain conditions (interest to be calculated at the rate approved by Central Government, having regards to the terms of the bonds and its repayment), subject to tax treaty benefit, if any. The payor shall withhold applicable taxes.
- (e) Any interest (other than above) on loan received in India currency is taxable at 40% (subject to tax treaty benefit, if any).

Rate of surcharge

The above rates of income-tax in this document shall be increased by the following surcharge on income-tax and education cess on income-tax and surcharge.

As per the Finance Act, 2021 with effect from 1 April 2021	Surcharge on income-tax	Education Cess on income-tax and surcharge
Rate of surcharge on Indian companies with income exceeding INR 10 million but less than INR 100 million	7%	4%
Rate of surcharge on Indian companies with income exceeding INR 100 million	12%	4%
Resident companies opting for taxation under section 115BAA and section 115BAB	10%	4%
Rate of surcharge on Foreign companies with income exceeding INR 10 million but less than INR 100 million	2%	4%
Rate of surcharge on Foreign companies with income exceeding INR 100 million	5%	4%
Rate of surcharge on Partnership firm / LLP with income exceeding INR 10 million	12%	4%
Individuals / HUF / AOP / BOI: where the total income exceeds INR 5 Million / 10 Million / 20 Million / 50 Million (Please refer to the note below)	10% / 15% /25% /37%	4%

Note: The enhanced rates of surcharge (essentially the 25% and 37% rate of surcharge applicable for income greater than INR 20 million and INR 50 million respectively), shall not apply for dividend income, capital gain arising to FII on transfer of any securities and in case of capital gains arising on an on-market transfer of the following securities (where applicable securities transaction tax has been paid) as referred to in section 111A and 112A of the ITA:

- *Equity shares*
- *Units of an equity-oriented fund*
- *Units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT)*

Further, as per the Finance Bill, 2022, the surcharge for tax on all form of long term capital gain shall be capped to 15%.

The Finance Act, 2023 has mentioned that the rate of surcharge shall be capped @ 25% for persons opting for the new tax regime.

Tax Deducted at Source (TDS) under section 194Q

In the case of resident clients, the income arising by way of dividend, interest on securities, income from units of mutual fund, etc. from investments made in India are subject to the provisions of tax deduction at source (TDS). Residents without Permanent Account Number (PAN) are subjected to a higher rate of TDS.

In the case of non-residents, any income received or accrues or arises; or deemed to be received or accrue or arise to him in India is subject to the provisions of tax deduction at source under the IT Act. The authorized dealer is obliged and responsible to make sure that all such relevant compliances are made while making any payment or remittances from India to such

non-residents. Also, if any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard. Non-residents without PAN or tax residency certificate (TRC) of the country of his residence are currently subjected to a higher rate of TDS.

The Finance Act, 2021 introduced a special provision to levy higher rate for TDS for the residents who are not filing income-tax return in time for previous two years and aggregate of TDS is INR 50,000 or more in each of these two previous years. This provision of higher TDS is not applicable to a non-resident who does not have a permanent establishment in India and to a resident who is not required to furnish the return of income.

With effect from 1 July 2021, a buyer while making payment to resident seller on purchase of goods having value exceeding INR 5 million during the financial year is required to withhold tax at the rate of 0.1% under Section 194Q of the ITA.

Buyer for the purpose of Section 194Q is defined as a person whose total sales, gross receipts or turnover from the business carried on exceeds INR 100 million during immediately preceding financial year in which the purchase of goods is carried out.

'Goods' for the purpose of section 194Q could include shares and securities. They are currently alternative interpretations of the applicability to transactions in securities including qualifying criteria for a Buyer.

CBDT has also issued a clarificatory circular no. 13 / 2021 dated 30 June 2021 to address various issues in relation to the applicability of Section 194Q. As per the said circular, no TDS u/s 194Q shall apply in case of transactions in securities and commodities which are traded through recognized stock exchanges or cleared and settled by the recognized clearing corporation including recognized stock exchanges or recognized clearing corporations located in IFSC. This is in line with the CBDT circular issued in the context of Section 206C(1H).

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 194Q shall not apply in the hands of buyer.

Further, TDS under Section 194Q shall not be applicable where the buyer is a non- resident and the purchase of goods is not effectively connected to its permanent establishment in India (if any).

Withholding of tax at higher rate

As per Section 206AA of the IT Act⁶, where a recipient of income (which is subject to withholding tax does not furnish its PAN then tax is required to be deducted by the payer at the higher of the following i.e., (i) rates specified in the relevant provisions of the IT Act; (ii) rates in force; or (iii) at 20% (twenty per cent) / 5% (five per cent) in case of withholding of tax under Section 194Q. In case of non-residents not having a PAN, this provision requiring tax deduction at a higher rate shall not apply if they furnish certain prescribed information / documents (including their tax residency certificate).

Accordingly, in case of recipient who do not have a PAN, tax shall be withheld at a minimum rate of 20% (twenty per cent) / 5% (five per cent) for TDS under Section 194Q, except in case of non-resident investors who furnishes certain prescribed information / documents (including their tax residency certificate) are provided by such Investors being non-residents.

Separately, under Section 206AB of the IT Act, where the recipient (other than a non- resident not having a permanent establishment in India) has not filed its income tax return for two financial years preceding the relevant financial year and such recipient has suffered withholding tax or tax

has been collected from such recipient of an amount aggregating to INR 50,000 or more in each of the last two financial years, then except in case of certain specified payments, tax shall be withheld at higher of the following rates:

- twice the rate provided under the IT Act; or
- twice the rate or rates in force; or
- the rate of 5%.

Further, where the recipient has neither furnished its PAN (which entails withholding of tax at minimum of 20% or 5%, as the case may be, under Section 206AA) nor filed its tax return for last two financial years, tax shall be withheld at higher of the rates under both the provisions.

Under the Finance Bill 2022, it is proposed to amend the provisions of Section 206AB to provide that higher withholding tax rate shall apply only in case of persons (other than a non-resident not having a permanent establishment in India) who has not filed its income tax return for the immediately preceding financial year for which the time limit under Section 139(1) has expired, and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in the relevant preceding year.

⁶ Not applicable in case of interest on long term bonds referred to under Section 194LC of the IT Act.

Deemed income on investment in shares / securities

In terms of Section 56(2)(x) of the IT Act, if shares / securities are received for less than the fair market value of the shares / securities (computed as per prescribed rules), the difference between the price paid and fair value if above Rs 50,000 then it shall be deemed as ordinary income of the recipient.

Separately, if shares other than quoted shares are transferred for less than the fair value of the shares (computed as per prescribed rules), the fair value of such unquoted shares shall be deemed to be the sale consideration for the seller, for computing its capital gain for Indian tax purpose.

Bonus Stripping

According to Section 94(8), in case of units purchased within a period of 3 months prior to the record date (for entitlement of bonus units) and sold/transferred/redeemed within 9 months after such date, the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be deemed as cost of acquisition of such bonus units.

General Anti-Avoidance Rules (GAAR)

The Finance Act, 2012 had introduced General Anti-Avoidance Rules (GAAR) into Act, which, subsequent to the amendments introduced by the Finance Act, 2015, has come into effect from April 1, 2017.

As per the provisions of IT Act, Indian tax authorities have been granted wide powers to tax 'impermissible avoidance arrangements' including the power to disregard entities in a structure, reallocate income and expenditure between parties to the arrangement, alter the tax residence of such entities and the legal situs of assets involved, treat debt as equity and vice versa. The GAAR provisions are potentially applicable to any transaction or any part thereof.

The term has been defined to mean an arrangement where the main purpose is to obtain a tax benefit.

GAAR may be invoked by the Indian income-tax authorities in case arrangements are found to be impermissible avoidance arrangements. A transaction can be declared as an impermissible avoidance arrangement, if the main purpose of the arrangement is to obtain a tax benefit and which satisfies one of the 4 (four) below mentioned tainted elements:

- (a) The arrangement creates rights, or obligations, which ordinarily are not created between persons dealing at arm's length;
- (b) It results, directly or indirectly, in the misuse, or abuse, of the provisions of the IT Act;
- (c) It lacks commercial substance or is deemed to lack commercial substance in whole or in part;
or
- (d) It is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes

In such cases, the tax authorities are empowered to reallocate the income from such arrangement, or recharacterize or disregard the arrangement. Some of the illustrative powers are:

- (a) Disregarding or combining or recharacterizing any step in, or a part or whole of the arrangement;
- (b) Ignoring the arrangement for the purpose of taxation law;
- (c) Relocating place of residence of a party, or location of a transaction or situation of an

- asset to a place other than provided in the arrangement;
- (d) Looking through the arrangement by disregarding any corporate structure; or
- (e) Recharacterizing equity into debt, capital into revenue, etc.

The GAAR provisions would override the provisions of a treaty in cases where GAAR is invoked. The necessary procedures for application of GAAR and conditions under which it should not apply, have been enumerated in Rules 10U to 10UC of the Income-tax Rules, 1962. The Income-tax Rules, 1962 provide that GAAR should not be invoked unless the tax benefit in the relevant year does not exceed INR 3 crores.

On 27 January 2017, the CBDT has issued clarifications on implementation of GAAR provisions in response to various queries received from the stakeholders and industry associations. Some of the important clarifications issued are as under:

- (a) Where tax avoidance is sufficiently addressed by the Limitation of Benefit Clause (LOB) in a tax treaty, GAAR should not be invoked.
- (b) GAAR should not be invoked merely on the ground that the entity is located in a tax efficient jurisdiction.
- (c) GAAR is with respect to an arrangement or part of the arrangement and limit of INR 3 crores cannot be read in respect of a single taxpayer only.

Further, an arrangement shall be presumed, unless it is proved to the contrary by the taxpayer, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

In case the GAAR is applied to any transaction pertaining to the Fund, it could have an adverse impact on the taxability of the Fund and/ or its Investors and hence, impact the returns to the Investors.

It is provided that GAAR shall not apply, inter alia, to arrangements where the aggregate tax benefit in a relevant year, to all the parties involved, does not exceed INR 3,00,00,000 (Indian Rupees Thirty million).

Other applicable taxes

Goods and Services Tax (GST): GST will be applicable on services provided by the Portfolio Manager to its Clients. Accordingly, GST at the rate of 18% would be levied on fees if any, payable towards portfolio management fee.

Securities Transaction Tax ("STT") - As discussed above the concessional rate for short term capital gains and long-term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognized stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates.

The rates of STT are as follows: -

Sr No	Nature of taxable securities	STT Rates %	Payable by
1(a)	Purchase of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Purchaser
1(b)	Purchase of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	NIL	Purchaser
2(a)	Sale of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Seller
2(b)	Sale of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	0.001	Seller
3	Sale of an equity share in a company/ unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled otherwise than by actual delivery or transfer of shares/ units.	0.025	Seller
4(a)	Sale of an option in securities (STT will be payable on the option premium)	0.05	Seller
4(b)	Sale of an option in securities where the option is exercised (STT will be payable on the settlement price)	0.125	Purchaser
4(c)	Sale of a future in securities	0.01	Seller

The amount of STT paid in respect of the taxable securities transactions entered into in the course of a business during the previous year can be claimed as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head ***Profits and gains from business and profession [Section 36(1)(xv)]***.

Stamp Duty and Transfer Tax

The Finance Act, 2019 has amended the above law to provide that stamp duty shall be levied uniformly throughout the country on transfer of securities in physical as well as dematerialized form.

Applicable stamp duty under various scenarios are tabulated below:

Particulars	Rate	Leviable on
1. Issue of securities		
Shares	0.005%	Issuer
Debentures	0.005%	Issuer
2. Transfer of securities		
A. Shares		
On delivery basis	0.015%	Buyer
On non-delivery basis	0.003%	Buyer
In physical form	0.015%	Seller/ Transferor

B. Debentures		
Marketable	0.0001%	Buyer
Non-marketable	0.0001%	Seller/Transferor

A stamp duty will be imposed on purchase of mutual funds – equity and debt funds – from July 1, 2020. As per SEBI, 0.005% stamp duty will be levied on purchase of mutual funds, including lump sum, SIP, STP, and dividend reinvestment. It is, however, not applicable on redemption of units. Meanwhile, a stamp duty of .015% will also be imposed in case of transfer of units between demat accounts.

There can be no guarantee that the above position regarding taxation of the Client would necessarily be accepted by the income-tax authorities under the IT Act. No representation is made either by the Portfolio Manager or any employee, partner or agent of the Portfolio Manager in regard to the acceptability or otherwise of the above position regarding taxation of the Client by the income tax authorities under the IT Act. Prospective Investors are urged to consult their own tax advisers in this regard.

FATCA Guidelines

According to the Inter-Governmental Agreement read with the Foreign Account Tax Compliance Act (FATCA) provisions and the Common Reporting Standards (CRS), foreign financial institutions in India are required to report tax information about US account holders and other account holders to the Indian Government. The Indian Government has enacted rules relating to FATCA and CRS reporting in India. A statement is required to be provided online in Form 61B for every calendar year by 31 May. The reporting financial institution is expected to maintain and report the following information with respect to each reportable account:

- (a) the name, address, taxpayer identification number and date and place of birth;
- (b) where an entity has one or more controlling persons that are reportable persons:
 - (i) the name and address of the entity, TIN assigned to the entity by the country of its residence; and
 - (ii) the name, address, date of birth, place of birth of each such controlling person and TIN assigned to such controlling person by the country of his residence.
- (c) account number (or functional equivalent in the absence of an account number);
- (d) account balance or value (including, in the case of a cash value insurance contract or annuity contract, the cash value or surrender value) at the end of the relevant calendar year; and
- (e) the total gross amount paid or credited to the account holder with respect to the account during the relevant calendar year.

Further, it also provides for specific guidelines for conducting due diligence of reportable accounts, viz. US reportable accounts and other reportable accounts (i.e. under CRS).

9. Accounting policies

Following accounting policies are followed for the portfolio investments of the Client:

A. Client Accounting

- (1) The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under Regulations. Proper books of accounts, records, and documents shall be maintained to explain transactions and disclose the financial position of the Client's Portfolio at any time.
- (2) The books of account of the Client shall be maintained on an historical cost basis.
- (3) Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a Financial Year are recorded and reflected in the financial statements for that year.
- (4) All expenses will be accounted on due or payment basis, whichever is earlier.
- (5) The cost of investments acquired or purchased shall include brokerage, stamp charges and any charges customarily included in the broker's contract note. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment. Sales are accounted based on proceeds net of brokerage, stamp duty, transaction charges and exit loads in case of units of mutual fund. Securities transaction tax, demat charges and Custodian fees on purchase/ sale transaction would be accounted as expense on receipt of bills. Transaction fees on unsettled trades are accounted for as and when debited by the Custodian.
- (6) Tax deducted at source (TDS) shall be considered as withdrawal of portfolio and debited accordingly.

B. Recognition of portfolio investments and accrual of income

- (7) In determining the holding cost of investments and the gains or loss on sale of investments, the "first in first out" (FIFO) method will be followed.
- (8) Unrealized gains/losses are the differences, between the current market value/NAV and the historical cost of the Securities. For derivatives and futures and options, unrealized gains and losses will be calculated by marking to market the open positions.
- (9) Dividend on equity shares and interest on debt instruments shall be accounted on accrual basis. Further, mutual fund dividend shall be accounted on receipt basis.
- (10) Bonus shares/units to which the security/scrip in the portfolio becomes entitled will be recognized only when the original share/scrip on which bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
- (11) Similarly, right entitlements will be recognized only when the original shares/security on which the right entitlement accrues is traded on the stock exchange on the ex-right basis.

- (12) In respect of all interest-bearing Securities, income shall be accrued on a day-to-day basis as it is earned.
- (13) Where investment transactions take place outside the stock exchange, for example, acquisitions through private placement or purchases or sales through private treaty, the transactions shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

C. Valuation of portfolio investments

- (14) Investments in listed equity shall be valued at the last quoted closing price on the stock exchange. 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. It would be left to the portfolio manager to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded. When on a particular valuation day, a security has not been traded on the selected stock exchange, the value at which it is traded on another stock exchange may be used. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected 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 thirty days prior to the valuation date.
- (15) Investments in units of a mutual fund are valued at NAV of the relevant scheme. Provided investments in mutual funds shall be through direct plans only.
- (16) Debt Securities and money market Securities shall be valued as per the prices given by third party valuation agencies or in accordance with guidelines prescribed by Association of Portfolio Managers in India (APMI) from time to time.
- (17) Unlisted equities are valued at prices provided by independent valuer appointed by the Portfolio Manager basis the International Private Equity and Venture Capital Valuation (IPEV) Guidelines on a semi-annual basis.
- (18) In case of any other Securities, the same are valued as per the standard valuation norms applicable to the mutual funds.

The Investor may contact the customer services official of the Portfolio Manager for the purpose of clarifying or elaborating on any of the above policy issues.

The Portfolio Manager may change the valuation policy for any particular type of security consequent to any regulatory changes or change in the market practice followed for valuation of similar Securities. However, such changes would be in conformity with the Regulations.

10. Investors Service

The Portfolio Manager seeks to provide the Clients a high standard of service. The Portfolio Manager is committed to put in place and upgrade on a continuous basis the systems and procedures that will enable effective servicing through the use of technology. The Client servicing essentially involves:

- (a) Reporting portfolio actions and client statement of accounts at pre-defined frequency;
- (b) Attending to and addressing any client query with least lead time;
- (c) Ensuring portfolio reviews at predefined frequency.

(i) **Name, address and telephone number of the investor relation officer who shall attend to the investor queries and complaints:**

Name	Ms. Nasreen Qureshi
Designation	Compliance Officer
Address	712 THE SUMMIT-BUSINESS BAY, 7th Floor, Near Western Express Highway, Off Andheri-Kurla Road, Andheri (East), Mumbai – 400069, Maharashtra
Telephone No.	+91 9819793096
Email id	nasreen@arthyawalth.com

(ii) **Grievance redressal and dispute settlement mechanism:**

The aforesaid personnel of the Portfolio Manager shall attend to and address any Client query/concern/grievance at the earliest. The Portfolio Manager will ensure that this official is vested with the necessary authority and independence to handle Client complaints. The aforesaid official will immediately identify the grievance and take appropriate steps to eliminate the causes of such grievances to the satisfaction of the Client. Effective grievance management would be an essential element of the Portfolio Manager's portfolio management services and the aforesaid official may adopt the following approach to manage grievance effectively and expeditiously:

1. **Quick action** – As soon as any grievance comes to the knowledge of the aforesaid personnel, it would be identified and resolved. This will lower the detrimental effects of the grievance.
2. **Acknowledging grievance** – The aforesaid officer shall acknowledge the grievance put forward by the Client and look into the complaint impartially and without any bias.
3. **Gathering facts** – The aforesaid official shall gather appropriate and sufficient facts explaining the grievance's nature. A record of such facts shall be maintained so that these can be used in later stage of grievance redressal.
4. **Examining the causes of grievance** – The actual cause of grievance would be identified. Accordingly, remedial actions would be taken to prevent repetition of the grievance.
5. **Decision making** – After identifying the causes of grievance, alternative course of actions would be thought of to manage the grievance. The effect of each course of action on the existing and future management policies and procedure would be analysed and accordingly decision should be taken by the aforesaid official. The aforesaid official would execute the decision quickly.

6. **Review** – After implementing the decision, a follow-up would be there to ensure that the grievance has been resolved completely and adequately.

Grievances/concerns, if any, which may not be resolved/satisfactorily addressed in aforesaid manner shall be redressed through the administrative mechanism by the designated Compliance Officer, namely Mrs. Nasreen Qureshi and subject to the Regulations. The Compliance Officer will endeavor to address such grievance in a reasonable manner and time. The coordinates of the Compliance Officer are provided as under:

Name	Ms. Nasreen Qureshi
Designation	Compliance Officer
Address	712 THE SUMMIT-BUSINESS BAY, 7th Floor, Near Western Express Highway, Off Andheri-Kurla Road, Andheri (East), Mumbai – 400069, Maharashtra
Telephone No.	+91 9819793096
Email id	nasreen@arthyawealth.com

If the Client still remains dissatisfied with the remedies offered or the stand taken by the Compliance Officer, the Client and the Portfolio Manager shall abide by the following mechanisms:

Any dispute unresolved by the above internal grievance redressal mechanism of the Portfolio Manager, can be submitted to arbitration under the Arbitration and Conciliation Act, 1996. The Portfolio Manager and the Client shall jointly appoint a sole arbitrator mutually acceptable to them. In the event of failure to agree upon a sole arbitrator for a period of 15 (fifteen) days of receipt of notice, the arbitration shall be before 3 (three) arbitrators, where the Portfolio Manager and the Client shall appoint an arbitrator each for themselves and the third arbitrator being the presiding arbitrator appointed by the two arbitrators. Each party will bear the expenses / costs incurred by it in appointing the arbitrator and for the arbitration proceedings. Further, the cost of appointing the presiding arbitrator will be borne equally by both the parties. Such arbitration proceedings shall be held at Mumbai and the language of the arbitration shall be English. The courts of Mumbai shall have the exclusive jurisdiction to adjudicate upon the claims of the parties.

Without prejudice to anything stated above, the Client can also register its grievance/complaint through SCORES (SEBI Complaints Redress System), post which the complaint will be either routed to the Portfolio Manager or to SEBI (as applicable), which may then forward the complaint to the Portfolio Manager and the Portfolio Manager will suitably address the same. SCORES is available at <http://scores.gov.in>.

The Client also has the option to raise an arbitration request using the online dispute resolution mechanism notified by SEBI and amendments issued thereon from time to time. The number of arbitrators to be appointed, the seat of arbitration and the language to be used for arbitration and the costs and expenses of arbitration would be as prescribed under the notifications and circulars issued in this regard from time to time.

<http://smartodr.in/> by clicking on “complaint registration”

11. Details of diversification policy of portfolio manager

Portfolio Managers target to optimize risk associated with specific portfolios by virtue of Diversification. At Arthya Wealth and Investments, we look to diversify through the following:

- Out of the universe of listed companies of NSE and BSE, Arthya narrows down the investment universe by applying various internal qualitative and quantitative filters, ensuring quality of business and management. The team ensures adequate diversification amongst such quality businesses.
- We generally invest in 20-25 businesses, or multiple mutual fund schemes, or multiple securities like Bonds/NCDs in respective investment approach, which ensures adequate portfolio diversity and also score high on internal qualitative and quantitative parameters.
- Basis our investment philosophy, we evaluate businesses on different parameters and construct portfolios primarily on bottom-up basis. This ensures that when we evaluate a business, we are not biased about its market capitalization, however we are concerned more about the size of opportunity that business can offer. Hence our portfolios are generally market cap agnostic, ensuring adequate diversity.
- Barring few portfolios which may be sectoral focused, our focus is to design portfolios which are not biased towards only few sectors. This is reflected in adequate sectoral diversification which the Portfolio Manager ensures in the portfolios, so that the performance is not skewed / dependent on only a few sectors.

PART II – Dynamic Section

12. Client Representation

(i)

Category of clients	No. of Clients	Funds managed (Rs. Crs.)	Discretionary / Non Discretionary / Advisory
Associates / group companies (Last 3 years)	Nil	Nil	Not applicable
Others			
FY 2025-2026 (data as on 30 th Nov, 2025)	3	2.55	Discretionary
FY 2024-2025 (data as on 31 st March 2025)	31	42.03	Discretionary
FY 2023-2024 (data as on 31 st March 2024)	48	52.3	Discretionary
FY 2022-2023 (data as on 31 st March 2023)	29	21.27	Discretionary
Others			
FY 2025-2026 (data as on 30 th Nov, 2025)	Nil	Nil	Non-Discretionary
FY 2024-2025 (data as on 31 st March 2025)	Nil	Nil	Non-Discretionary
FY 2023-2024 (data as on 31 st March 2024)	Nil	Nil	Non-Discretionary
FY 2022-2023 (data as on 31 st March 2023)	Nil	Nil	Non-Discretionary
Others			
FY 2025-2026 (data as on 30 th Nov, 2025)	Nil	Nil	Advisory
FY 2024-2025 (data as on 31 st March 2025)	Nil	Nil	Advisory
FY 2023-2024 (data as on 31 st March 2024)	4	37.41	Advisory
FY 2022-2023 (data as on 31 st March 2023)	3	26.17	Advisory

(ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.

Nil

13. Financial performance

The Financial Performance of the portfolio manager based on audited financial statements and in terms of procedure specified by the Board for assessing the performance.

Following table captures key financial data of Arthya Wealth and Investments Pvt. Ltd based on Audited Financial Statements as on March 31, 2024 and March 31, 2025:

Particulars	As on March 31, 2025 (Rs. In Lakhs)	As on March 31, 2024 (Rs. In Lakhs)
Sources of Funds		
Share Capital	81.922	81.922
Reserves & Surplus	1003.99	634.67
Current Liabilities	809.37	76.85
Application of Funds		
Non-Current Assets	11.31	14.37
Current Assets	1899.41	779.07
Net Worth (as per the method of calculation defined in the Regulations)	1085.91	716.59
Total Income	52941.51	6625.89
Net Profit (before tax)	466.81	52.30

14. Performance of Portfolio Manager

Strategy	FY 2023	FY 2024	FY 2025	1 st Apr 25 till 30 th Nov 25**
Arthya Multicap Portfolio	-4.57%	32.65%	12.04%	7.28%
BSE 500 TRI	-0.91%	40.16%	5.96%	8.54%
Arthya Opportunities Portfolio	3.92%	39.69%	13.54%	5.48%
NIFTY 50 TRI	-0.60%	30.08%	6.65%	5.21%
Arthya Multi-Asset Portfolio	-2.68%	23.62%	9.12%	6.96%
NSE Multi Asset Index 2	0.59%	23.61%	7.52%	4.98%
Arthya Multi Cap Shariah Portfolio	-7.05%	30.13%	4.88%	-
BSE 500 TRI	-8.98%	40.16%	2.09%	-
Arthya Leaders Portfolio	-	19.17%	21.04%	10.95%
NIFTY 50 TRI	-	17.13%	6.65%	6.40%
Arthya Emerging Stars Portfolio	-	18.72%	29.5%	-
BSE 500 TRI	-	23.84%	15.84%	-
Arthya Core Portfolio	-	-	-4.47%	17.29%
Nifty 50 TRI	-	-	-5.15%	5.63%
Arthya Yield Plus Portfolio	-	-	5.76%	2.95%
CRISIL COMPOSITE BOND FUND INDEX	-	-	5.90%	2.39%
Arthya Growth Plus Portfolio	-	-	-	8.48%
Nifty 50 TRI	-	-	-	12.52%

	Start Date	Last Date**
ARTHYA Multicap Portfolio	21-Jul-21	05-Oct-25
ARTHYA Opportunities Portfolio	05-May-22	06-Aug-25
ARTHYA Multi-Asset Portfolio	15-Aug-21	01-Jun-25
ARTHYA Leaders Portfolio	02-Jul-23	16-Jun-25
ARTHYA Core Portfolio	04-Jun-24	28-Jul-25
ARTHYA Yield Plus Portfolio	07-Aug-24	10-Jul-25
ARTHYA Multi Cap Shariah Portfolio	21-Mar-22	14-May-24
ARTHYA Emerging Star Portfolio	02-Jul-23	17-Oct-24
ARTHYA Growth Plus Portfolio (benchmark changed From BSE 500 TRI to Nifty 50 TRI)	14-Feb-25	-

Notes:

- Performance figures are net of all fees and expenses.
- Returns have been calculated using Time weighted rate of return method as specified by SEBI.
- The actual returns of the client may differ from the investment approach returns.

15. Audit Observations

Arthya Wealth and Investments Pvt. Ltd. received SEBI registration on June 9, 2021 hence Internal Audit was conducted from June 2021 onwards.

There were a few audit observations for FY 2021-22, FY 2022-23 and FY 2023-24 related to below mentioned points and same have been complied with:

1. Non-maintenance of upload date for investor complaints data uploaded monthly on the website.
2. Absence of CKYC registration of the portfolio manager for investor pre-onboarding (as this was being done by the custodian)
3. Benchmark while disclosed in marketing material wasn't included in the disclosure document
4. Risk associated with investment approach were mentioned in separate section in disclosure document and were not mentioned in investment approach
5. Delay of 6 week in submission of firm level performance report and compliance certificate by principal officer to SEBI.
6. Diversification policy not included in the Disclosure Document
7. Delay was observed in reporting performance to APMI.

Any further details regarding the same shall be provided to the investor on request.

16. Details of investments in the securities of related parties of the portfolio manager

There are no Investments made in the securities of associates/related parties of Portfolio Manager.

Authorized Signatory

Prateek Dhoot

Mr. Prateek Dhoot
Date: December 30, 2025
Place: Mumbai



FORM C

Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020
[Regulation 22]

Name	Arthya Wealth and Investments Private Limited
Address	712 THE SUMMIT-BUSINESS BAY, 7 th Floor, Near Western Express Highway, Off Andheri-Kurla Road, Andheri (East), Mumbai – 400069, Maharashtra.
Phone	+91 9819083540
Fax Number	Not applicable
Email	prateek@arthyawwealth.com

We confirm that:

- (i) the Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by SEBI from time to time;
- (ii) the disclosures made in the Document are true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager;
- (iii) the Disclosure Document has been duly certified by an independent Chartered Accountant, as on

December 30, 2025. The details of the Chartered Accountants are as follows:

Name of the Firm : Shah and Ramaiya Chartered Accountants
Firm Registration Number : 126489W
Partner : Mr. Shardul Shah
Membership Number : 118394
Address : 36/227, RDP 10, Sector 6, Charkop, Kandivali (West), Nr. Ambe Mata Mandir, Mumbai: 400067

(Enclosed is a copy of the Chartered Accountants' certificate to the effect that the disclosures made in the Document are true, fair and adequate to enable the investors to make a well informed decision).

For and on behalf of Arthya Wealth and Investments Private Limited

Date: 30th December, 2025

Signature of the Principal Officer: Prateek Dhoot
Mr. Prateek Dhoot



Place: Mumbai

Address: 712 THE SUMMIT-BUSINESS BAY,
7th Floor, Near Western Express Highway, Off Andheri-Kurla Road,
Andheri (East), Mumbai – 400069, Maharashtra