HEDGE EQUITIES LIMITED

DISCLOSURE DOCUMENT
FOR
PORTFOLIO MANAGEMENT SERVICES

HEDGE EQUITIES LIMITED

Hedge House, Mamangalam, Palarivattom, Kochi -682025

- This document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993, as amended.
- The purpose of this document is to provide essential information about the portfolio management services in a manner to assist and enable the investors in making informed decision for engaging in Hedge Equities Limited as a Portfolio Manager.
- This Disclosure Document sets forth concisely the necessary information about Hedge Equities that a prospective investor ought to know before investing.
- The investor should carefully read the Disclosure Document prior to making a decision to avail of portfolio management services and retain this Disclosure Document for future reference.
- This Disclosure Document is dated on 22nd December 2016

PRINCIPAL OFFICER

Mr. Bobby J Arakunnel

Address : Hedge House, Mamangalam, Palarivattom, Kochi – 682025

Telephone. No. : 0484-3040400 Email: **bobby@hedgeequities.com**

Contents

1. DISCLAIMER CLAUSE

The particulars of this document have been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 as amended till date 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 the document.

2. DEFINITIONS

For the purposes of this Disclosure Document, except as otherwise expressly provided or as the context or meaning thereof otherwise requires, the following words and expressions shall have the meanings assigned to them respectively hereinafter:

"Act" means the Securities and Exchange Board of India, Act, 1992 (15 of 1992);

"Agreement" means the agreement between the Client and the Portfolio Manager for providing Portfolio Management Services to that Client and stating therein the terms and conditions on which the Portfolio Manager shall provide such services to that Client;

"Client" or "Investor" means any person who registers with the Portfolio Manager for availing the services of portfolio management;

"Depository" means a Depository as defined in section 2(1)(e) of the Depositories Act, 1996 (22 of 1996);

"Depository Account" or "DP Account" means any account of the Client or for the Client with a Depository Participant as per the relevant regulations;

"Depository Participant" means a person registered as a depository participant under sub-section (1A) of section 12 of the Act, and with whom a DP Account will be maintained on behalf of the Client;

"Disclosure Document" means this disclosure document for Portfolio Management Services;

"Discretionary Portfolio Management Services" means Portfolio Management Services where the Portfolio Manager exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities and/or the Funds of the Client, as the case may be;

"Financial year" means the year starting from April 1 of a year and ending on 31st March of the following year;

"Funds" means the moneys placed by the Client with the Portfolio Manager and any accretions thereto;

"Funds managed” means the market value of the Portfolio of the Client as on date;

"Initial Corpus” means the value of the Funds and/or the market value of readily realizable investments brought in by the Client at the time of registering him as a Client with the Portfolio Manager and accepted by the Portfolio Manager;

"Portfolio" means the total holdings including accretions of all investments, securities and Funds belonging to the Client with the Portfolio Manager;

"Portfolio Manager" means **HEDGE EQUITIES LTD**, a Company incorporated under the Companies Act, 1956 and having its registered office at B 302 Trade Square, Mehra Compound, Near DSK Madhuban, Sakinaka Kurla Road, Andheri East,Mumbai – 400 072, Maharashtra

"Portfolio Management Services" means the Discretionary Portfolio Management Services or Investment Advisory Services or Structured Products, as the context may require;

"Regulations" means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 made by SEBI under the Act;

"Rules" means the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993 made by the

Government of India under the Act;

"Strategy" means the current investment Strategy or such other Strategy that may be introduced at any time in the future by the Portfolio Manager;

"SEBI" means the Securities and Exchange Board of India;

"Securities" Means

(i) Shares, scripts, stocks, bonds, debentures, debenture stocks or other marketable securities of a like nature in or of any incorporated company or other body corporate;

(ii) Derivative;

(iii) Units or any other instrument issued by any collective investment scheme to the investors in such schemes;

(iv) Security receipt as defined in clause (zg) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(v) Government securities;

(vi) Such other instruments as may be declared by the Central Government to be securities; and

(vii) Rights or interest in securities Provided that with respect to NRI's, "Securities" means only those securities in which NRIs are permitted to invest under FEMA and the rules and regulations made there under and other statutes, rules and regulations as may be applicable to NRI investments in Indian companies;

"Services" means investment in securities, consultancy/management, and may include the responsibility of managing, reviewing and reshuffling the Portfolio, buying and selling or securities, keeping safe custody of securities, monitoring book closures, dividends, bonus and rights and keeping track of corporate performance and other developments to ensure that all benefits accrue to the Client's Portfolio for an agreed fee structure;

"Stock Exchange" means BSE Ltd. or National Stock Exchange of India Ltd. or such other exchange in which the Portfolio Securities are traded;

"Structured Products" means the products that the Portfolio Manager may, from time to time launch that are structured towards meeting specific needs of a particular Client and that shall be managed in accordance with the specifications provided by the Portfolio Manager to the Client;

"Taxes" means all taxes, cesses, duties stamp duties, registration fees and all taxes including service tax,

turnover tax, securities transaction tax, withholding tax, whether direct or indirect, including any tax to be deducted at source by the Portfolio Manager or any other tax payable on the income earned on the investments made for and on behalf of the Clients by the Portfolio Manager;

The terms that are used but not defined herein shall, unless repugnant to the context or meaning thereof, have the same meanings as are assigned to them under the Act, the Regulations or the Rules.

3. DESCRIPTION

(A) HISTORY, PRESENT BUSINESS AND BACKGROUND OF THE PORTFOLIO MANAGER HEDGE EQUITIES LTD –

Our Company was incorporated under the Companies Act,1956 as Hedge Equities Private Limited on 17th December 2007 with registered office at B 302 Trade Square, Mehra Compound, Near DSK Madhuban, Sakinaka Kurla Road, Andheri East,Mumbai – 400 072, Maharashtra. Later the company is converted into public limited company on 17th February, 2009. At present the company is engaged in the business of shares, securities and stock broking as a member of NSE with SEBI Registration No. INB/INF/INE 231295438, BSE with SEBI Registration No. INB 011295434, MCX-Sx with SEBI Registration No. INE261295438 , INB/F261295431 and portfolio manager with SEBI Registration No. INP000003476. We are also a Depository Participant of CDSL with SEBI Registration No.IN-DP-CDSL-471-2008 and registered with AMFI under ARN -64292.

Hedge Equities Ltd (including its subsidiaries) is a leading provider of financial services with an emphasis on customized solutions in the areas of financial advisory, capital markets, wealth management and alternative asset management to its clients that include corporates and high net worth families. Hedge leverages insights, relationships and a culture that emphasizes strong orientation to excellence, to offer services to its clients. The Group relies on its extensive experience, in-depth domain understanding and knowledge of the regulatory environment, to offer customized solutions that enable clients to meet their strategic aspirations.

(B) PROMOTERS AND DIRECTORS OF THE PORTFOLIO MANAGER AND THEIR BACKGROUND IN BRIEF

Sr.No.	Name of the director	Qualification	Designated director(Yes/ No)	Date of Birth	Experience (No of years)
1	Alex Kalluvila Babu	B.Tech	Yes	09.11.1979	12
2	Bhuvanendran Nair	P.G.	Yes	12.07.1967	20
3	Bobby Jose	P.G.	Yes	20.06.1974	16
4	P S George	M B B S	No	30.05.1945	10
5	Joy Arakkal Ulahannan	B.COM	No	02.12.1967	15
6	Pradeepkumar Cheenankandy	PDC	No	16.06.1962	24

(C) TOP GROUP COMPANIES/FIRMS OF THE PORTFOLIO MANAGER ON TURNOVER BASIS

(1) Hedge Equities Ltd

(2) Hedge Commodities Ltd

(3) Hedge Finance Ltd

(4) Hedge School of Applied Economics Ltd

(D) PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS ETC.

SEBI or any other regulatory authority has not observed major deficiency in the systems and operations of the Portfolio Manager Penalties imposed for any economic offence and/ or for violation of any securities laws.	NIL
Any pending material litigation/legal proceedings against the portfolio manager /key personnel with separate disclosure regarding pending criminal cases, if any.	NIL
Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.	NIL
Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, indirectly connected with the portfolio manager or its directors, principal officer or employee or any person directly or or employee, under the Act or Rules or Regulations made there under.	NIL

4. SERVICES OFFERED

The Portfolio Manager offers the following alternative services:

1. Discretionary – the portfolio account of the client is managed at the full discretion and liberty of the Portfolio Manager.

2. Non-Discretionary – the portfolio, which the Portfolio Manager manages in accordance with the directions and permission of the client. The Client will have complete discretion to decide on the investment (Stock, 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.

The Portfolio Manager intends to manage the Assets of the Client using the following Investment plans:

A) Investment Plan: FORTUNE BULL:

Investment Objective:

The primary investment objective is to generate capital appreciation by creating a portfolio that is invested primarily in Mid & Large Cap companies. It also aim to achieve long term capital appreciation from a fully equity oriented portfolio that are in a position to benefit from the anticipated growth and development of the Indian economy and its investment. However, considering the market conditions, fund manager may at its discretion, invest in one or more financial and money market instruments.

Investment Strategy:

- The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters.
- The portfolio construction strategy should only revolve around 15-25 stocks at any given time.

- The portfolio is based on strategic allocation and may be changed based on tactical view of Fund Manager.

B) Investment Plan: FORTUNE FALCON:

Investment Objective:

The primary investment objective is long term wealth creation by investing in mid and small cap companies. It also aim to achieve long term capital appreciation from a fully equity oriented portfolio that are in a position to benefit from the anticipated growth and development of the Indian economy and its investment. However, considering the market conditions, fund manager may at its discretion, invest in one or more financial and money market instruments.

Investment Strategy:

- The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters.
- To invest in relatively under owned and under exposed midcap companies.
- The portfolio construction strategy should only revolve around 15-25 stocks at any given time.
- The portfolio is based on strategic allocation and may be changed based on tactical view of Fund Manager.

C) Investment Plan: FORTUNE DOLPHIN

Investment Objective:

The primary investment Objective is to generate income and conservative for the capital by allocating exposure to low risk assets. It also aims to grow invested capital over the long term. Conservative portfolios feature a high percentage of debt assets of around 0-70% and equity allocation will be limited to around 0-30%. However, considering the market conditions, fund manager may at its discretion, invest in one or more financial and money market instruments.

Investment Strategy:

- The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters.
- The portfolio construction strategy should only revolve around 15-20 stocks at any given time.
- The portfolio is based on strategic allocation and may be changed based on tactical view of Fund Manager.
- The portfolio will invest in Debt Instruments or Debt Mutual Funds, Money Market Mutual Funds and Gold Mutual Fund or ETFs, Equity or Equity mutual funds.

D) Investment Plan: FORTUNE CANINE

Investment Objective:

The primary investment Objective is to generate income and capital appreciation by allocating exposure to both growth assets, i.e. equities and fixed income securities. It also aims to grow invested capital over the long term Balanced Investment scheme that aim portfolio allocation and management method is to balancing risk and return. This portfolio divides equally between equities and debts instruments. However, considering the market conditions, fund manager may at its discretion, invest in one or more financial and money market instruments.

Investment Strategy:

- The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters.
- The portfolio construction strategy should only revolve around 15-20 stocks at any given time.
- The portfolio will invest in Equity or Equity Mutual Funds, Debt Instruments or Debt Mutual Funds, Money Market Mutual Funds and Gold Mutual Fund or ETFs.

E) Investment Plan: FORTUNE PUMA

Investment Objective:

The primary investment Objective is to generate capital appreciation by allocating exposure to predominantly growth assets. It's an aggressive Investment scheme with an aim to generate an aggressive return. This portfolio will have more allocation in equity 0-70% and debt securities will have 0-30% allocation. However, considering the market conditions, fund manager may at its discretion, invest in one or more financial and money market instruments.

Investment Strategy:

- The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters.
- The portfolio construction strategy should only revolve around 15-25 stocks at any given time.
- The portfolio will invest in Equity or Equity Mutual Funds, Debt Instruments or Debt Mutual Funds, Money Market Mutual Funds and Gold Mutual Fund or ETFs.
- Allocation across market capitalization and investment style will be decided by fund manager based on Economic data.

F) Investment Plan: FORTUNE OWL: The investment plan operates under the non-discretionary portfolio service. It's an Investment scheme that makes investments in portfolios of equities and debts on behalf of clients, in accordance with the investment objectives and parameters defined by the clients.

Types of securities in which investment is made:

(a) Equity and Equity related securities, Convertible Stock and Preference Shares of Indian Companies;

(b) Debentures (Convertible and Non-convertible), Bonds and Secured Premium Notes, Swaps, Options Futures, Securitized Debt, Pass Through Certificates and instruments which are quasi-debt instruments, Tax-exempt Bonds of Indian Companies and Corporations.

(c) Government and Trustee Securities;

(d) Units and other instruments of Mutual Funds.

(e) Bank Deposit

(f) Treasury Bills

(g) Commercial Papers, Certificates of Deposit and other similar Money Market instruments; and Derivatives.

The Portfolio Manager may use derivative instruments like Stock Index Futures, Futures on Individual Stocks, Options on Stock Indices and Options on individual stocks, Interest rate swaps, Forward Rate Agreements or such other derivative instruments as may be introduced from time to time, as permitted by SEBI.

The portfolio would comprise primarily of equities and other securities /debt instruments, derivatives in line with the profile of the client. Wherever appropriate, the Portfolio Manager may invest those Assets in cash/liquid/money market funds or fixed income securities of short/medium duration, derivatives for any interim period that the Portfolio Manager may decide in its sole, entire and absolute discretion, till the Portfolio Manager locates appropriate opportunities in the market, in line with the Client risk profile.

Note:

The Portfolio Manager shall not invest any of the Client's funds/assets in bill discounting or for the purpose of lending or placement with corporate or non-corporate bodies.

The Portfolio Manager, while dealing with the Client's funds shall not indulge in speculative transactions, that is, it shall not enter into any transaction for the purchase or sale of any security in which transaction is periodically or ultimately settled otherwise than by actual delivery or transfer of the Security.

Provided however that, the Portfolio Manager may enter into future contracts, options on securities, options on indices and other similar types of investment instruments which would be deemed to constitute part of the normal course of investing of Assets of the Account and the Portfolio Manager may also enter into transactions which will have the possibility of creating a hedge against the existing structure of the portfolio and such hedge transactions could include derivative products as may be permissible under law from time to time.

It is further clarified that the Investment Guidelines shall not be deemed to have been breached or violated as a result of changes in the price or value of the Assets in the Account brought about solely through movements in the stock market or any other factors including change in registration which are beyond the control of the Portfolio Manager.

Investment Restrictions

1. The Portfolio Manager shall not invest the Clients funds in the unlisted securities of the group companies/associates unless specified by the client in writing.

2. The Portfolio Manager shall not invest in any security issued by way of Private Placement by a group company / associate.

3. The Investment of Client's Funds in group companies/associates of the Portfolio Manager shall in addition be governed by such laws and rules and regulations as are applicable from time to time to the Portfolio Manager.

Other Features

Minimum investment amount in Fortune Bull & Fortune Falcon is Rs. 25 Lakhs. Additional investment is Re.1/- and in multiples thereof.

The Client may withdraw whole or part of the funds or securities from the Portfolio Account by giving advance notice and the Portfolio Manager will Endeavour to liquidate the securities and return the funds held by the Portfolio to the Client within reasonable time. In case the Portfolio Manager is not able to sell the securities, the Portfolio Manager has the discretion to return the securities to the Client.

The Portfolio Manager will provide periodical reports as required under the Regulations.

The Portfolio Account will be audited by the Independent Chartered Accountant every year and copy of the Audit Report issued by the Independent Auditor will be given to the Client.

A dedicated, qualified portfolio manager is assigned. The portfolio manager has discretion to make investment decisions on the client's behalf

5. RISKS FACTORS

(a) Investments in Securities are subject to market risks and include price fluctuation risks. There are no assurances or guarantees that the objectives of investments will be achieved. The investments may not be suited to all categories of investors.

(b) The past performance of the Portfolio Manager does not indicate its future performance.

(c) The names of the Strategies do not in any manner indicate their prospect or returns, nor does it guarantee the performance or returns on the Strategy. The performance in the equity Strategies may be adversely affected by the performance of individual companies changes in the market place and industry specific and macro-economic factors.

(d) The investment strategy will be drawn up considering the current and expected market movement and trends. Though all endeavours shall be made by the Portfolio Manager to diversify the risk, the risk of below market performance is not ruled out.

(e) If the Portfolio has a high/lower exposure to any particular sector or company, there is an additional risk due to over/under dependence on one sector/company.

(f) The debt investments and other fixed income Securities may be subject to interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlements periods and transfer procedures.

(g) Technology stocks and some of the investments in niche sectors run the risk of volatility, high valuation, obsolescence and low liquidity.

(h) Strategies using derivative/future and options products are affected by risks difference from those associated with stock and bonds. Such products are highly leveraged instruments and their use requires a high degree of skill, diligence and expertise. Small price movements in the underlying security may have a large impact on the value of derivatives and future options. Some of the risk relate to mis-pricing or improper valuation of derivatives and futures and options and inability to correlate the positions with underlying assets, rates and indices. Also, the derivatives and futures and options market is nascent in India.

(i) In the case of stock lending, risks relate to the defaults from counterparties with regard to Securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks. The Portfolio Manager is not responsible or liable for any loss resulting from the operation of the Strategies.

(j) The Client who is an NRI or an FII, shall at all times keep the Portfolio Manager well informed about all the investments made by the Client in India, in each of the companies, and each time when he/it proposes to invest in any company it shall be the responsibility of the Client to ensure that his/its existing investments including investment made by the Portfolio Manager on his/its behalf together with proposed investments in the Issuer/Company, in which investment is proposed, are within the permitted limits, prescribed under FEMA and rules and regulations made there under.

(k) The Portfolio Manager may invest in the shares, units of mutual funds, debt, deposits and other financial instruments of group companies.

(l) Each Portfolio will be exposed to various risks depending on the investment objective, investment strategy and the asset allocation. The investment objective, investment strategy and the asset allocation may differ from Client to Client.

(m) Highly concentrated portfolios with lesser number of stocks generally will be more volatile than a Portfolio with a larger number of stocks. Portfolios with higher allocation to equities will be subject to higher volatility than Portfolios with low allocation to equities.

(n) Risk arising out of non-diversification, if any. Diversified portfolios (allocated across companies and broad sectors) may be less volatile than non-diversified

(o) The Portfolio Manager is not responsible or liable for any loss or shortfall resulting from the operation of the Products issued under the Portfolio Management Services.

(p) Investors in the Products issued under the Portfolio Management Services are not being offered any guaranteed or assured returns.

Specific Risk Factors

The Products, presently offered by the Portfolio Manager are subject to following specific risk factors:

Market Risk

The Asset Under Management (AUM) of the Portfolio will react to the securities market movements. The Investor may lose money over short periods due to fluctuation in the AUM of Portfolio in response to factors such as economic and political developments, changes in interest rates and perceived trends in securities market movements and over longer periods during market downturns.

Market Trading Risks

Absence of Prior Active Market: Although securities are listed on the Exchange(s), there can be no assurance that an active secondary market will develop or be maintained.

Lack of Market Liquidity: Trading in securities on the Exchange(s) may be halted because of market conditions or for reasons that in the view of the Exchange Authorities or SEBI, trading in particular security is not advisable. In addition, trading in securities is subject to trading halts caused by extraordinary market volatility and pursuant to Exchange and SEBI 'circuit filter' rules. There can be no assurance that the requirements of the Market necessary to maintain the listing of securities will continue to be met or will remain unchanged.

ETFs May Trade at Prices Other than AUM: ETFs may trade above or below their AUM. The AUM of ETFs will fluctuate with changes in the market value of Scheme's holdings of the underlying stocks. The trading prices of ETFs will fluctuate in accordance with changes in their AUMs as well as market supply and demand of ETF. However, given that ETF can be created and redeemed only in Creation Units directly with the Mutual Fund, it is expected that large discounts or premiums to the AUMs of ETFs will not sustain due to availability of arbitrage possibility.

Regulatory Risk: Any changes in trading regulations by the Exchange(s) or SEBI may affect the ability of marker maker to arbitrage resulting into wider premium/discount to AUM for ETFs. Because of halt of trading in market the Portfolio may not be able to achieve the stated objective.

Asset Class Risk

The returns from the types of securities in which a Portfolio Manager invest may underperform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of out-performance and under performance in comparison of the general securities markets. 15

Performance Risk

Frequent rebalancing of Portfolio will result in higher brokerage/transaction cost. Also as the allocation to other securities can vary from 0% to 100%, there can be vast difference between the performance of the Products and returns generated by underlying securities.

Lending of Securities

The securities lending activity, if any, by the Portfolio Manager on behalf of the Client will have the inherent probability of collateral value drastically falling in time of strong downward market trends or due to it being comprised of tainted/forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and/or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the respective Products. Also the risk could be in the form of non-availability of ready stock for sale during the period stock is lent.

Interest Rate Risk

Changes in interest rates may affect the returns/AUM of the units of the liquid/debt scheme of Mutual Fund in which the Portfolio Manager may invest from time to time. Normally the AUM of the liquid scheme increases with the fall in the interest rate and vice versa. Interest rate movement in the debt market can be volatile leading to the possibility of movements up or down in the AUM of the units of the liquid/debt funds.

Credit Risk

Credit Risk refers to the risk that an issuer of fixed income security may default or may be unable to make timely payments of principal and interest. AUM of Units of the liquid scheme is also affected because of the perceived level of credit risk as well as actual event of default.

Investments in Derivative Instruments and when the Products trades in derivative market, there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instrument that require investment technique and risk analysis different from those associated with stocks. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivative requires 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. There is a possibility that loss may be sustained by the Portfolio as a result of the failure of another party (usually referred as the "Counter party") to comply with the terms of the derivative contract. Other risks in using derivatives include but are not limited to: (a) Credit Risk - this occurs when a counterparty defaults on a transaction before settlement and therefore, the Product is compelled to negotiate with another counter party, at the then prevailing (possibly unfavourable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides the guaranteed settlement but one takes the performance risk on the exchange. (b) Market Liquidity risk where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices. (c) Model Risk is the risk of mis-pricing or improper valuation of derivatives. (d) Basis Risk arises when the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets. The risk of loss associated with futures contracts is potentially unlimited due to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a derivative contract may result in an immediate and substantial loss or gain. However, the Portfolio Manager will not use derivative instruments, options or swap agreements for speculative purposes or to leverage its net assets and will comply with applicable SEBI Regulations. There may be a cost attached to buying derivative instrument. Further there could be an element of settlement risk, which could be different from the risk in settling physical shares. The possible lack of a liquid secondary market for a derivatives contract may result in inability to close the derivatives positions prior to their maturity date.

Risk of Arbitrage Strategies

The success of Products' investment activities depends on the Portfolio Manager's ability to identify investment opportunities and to exploit price discrepancies in the capital and derivative markets. Identification and exploitation of the strategies to be pursued by the Portfolio Manager involve uncertainty. No assurance can be given that Portfolio Manager will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. A reduction in the pricing inefficiency of the markets in which the Portfolio Manager will seek to invest, will reduce the scope for the Portfolio Manager's investment strategies. Also in the event that the perceived mis-pricing underlying the Products' position was to fail to converge toward or diverge further from relationships expected by the Portfolio Manager, the Products may incur a loss. The Portfolio Manager's investment strategies may result in high portfolio turnover and, consequently, high transaction cost.

The Portfolio Manager's investment strategies will be designed to be relatively non-correlated with respect to the movements in equity markets in general. However, depending upon the investment strategies employed and market conditions, the Products may be adversely affected by unforeseen events involving such matters as political crisis, changes in currency exchange rates or interest rates, forced redemptions of securities or acquisition proposals.

Certain strategies employed by the Products are based on historical trends and relationships between asset prices. There can be no assurance that such historical trends or relationships will continue. No representations is made by the Portfolio Manager as to what results the Products will or is likely to achieve based on such trends and relationships. If such historical trends or relationships change, the Products may incur substantial losses.

Illiquidity Risk

The corporate debt market is relatively illiquid vis-a-vis the government securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Further, liquidity may occur only in specific lot sizes. Liquidity in a security can therefore suffer. Even though the Government securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. Trading in specified debt securities on the Exchange may be halted because of market conditions or for reasons that in the view of the Exchange Authorities or SEBI, trading in the specified debt security is not advisable. There can be no assurance that the requirements of the securities market necessary to maintain the listing of specified debt security will continue to be met or will remain unchanged. In such a situation, the portfolio manager at his sole discretion will return the securities to the Client.

- **Zero Return Risk**
  Returns on investments undertaken in structured securities would depend on occurrence/non- occurrence of the specified event. Thus, returns may or may not accrue to an investor depending on the occurrence/non-occurrence of the specified event.

- **Redemption Risk**
  The payoffs as envisaged in structured securities are such that the Client may lose a part/entire amount invested.

6. CATEGORIES OF CLIENTS SERVICED

Details of Clients serviced by Portfolio Manager for portfolio management upto the date of disclosure document (i.e. **31st March.2016**) are as follows.

Details of Clients are as below:

Category of Clients	No. of clients			Funds Managed (Rs. Cr.)			Discretionary / Non Discretionary/ Advisory
	as on 31.03.2016	**as on 31.03.2015**	**as on 31.03.2014**	**as on 31.03.2016**	**as on 31.03.2015**	**as on 31.03.2014**	
Associate Group/Companies	Nil	Nil	Nil	Nil	Nil	Nil	N/A
Others	13	8	4	5.22	1.71	0.01	Discretionary
Total	13	8	4	5.22	1.71	0.01	Discretionary

DISCLOSURES IN RESPECT OF TRANSACTIONS WITH RELATED PARTIES

Transactions with Related Parties (based on audited accounts for the year ended March 31, 2016)

Sr. No.	**Name of the person**	**Designation**
1	Alex K Babu	Managing Director
2	Bhuvanendran N	Director
3	Bobby Jose	Director

Details of transactions with related to parties.

Particulars	As at 31 March-2016	As at 31 March-2015	As at 31 March-2014
Details relating to parties referred to in item (A)			
(i)Outstanding Balances	Nil	Nil	Nil
Advance for Expenditure	2145663(Dr)	2181323(Dr)	6341854(Dr)
	2562845(Dr)	2204242(Dr)	3177940(Dr)
Details relating to parties referred to in item (B)			
(i)Transactions			
Salaries & Allowances	3081532	3000024	3000024
Advance for Expenditure	Nil	Nil	Nil

1. PERFORMANCE OF THE PORTFOLIO MANAGER

The performance of the Portfolio Manager (%) under Discretionary Portfolio Manager Service based on weighted average method as on

1 A7pril 15-31 March 16		1 April 14-31 March 15		1 April 13-31 March 14	
PMS	Nifty	PMS	Nifty	PMS	Nifty
-8.95	-8.78	17.26	26.65	15.23	15.45

FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER

The Financial Performance of the portfolio manager (based on audited financial statements for the last three financial years

Particulars	In Rs (Lakhs)		
	2015-16	2014-15	2013-14
Paid-up Capital	1378.05	1378.05	1378.05
Reserves	-296.66	-107.89	-319.93
Total Revenue	1013.33	1478.56	1050.86
Total Cash Expense	1105.17	1245.78	1072.56
Profit (loss) before Depreciation & Taxation	-91.85	232.78	-21.70
Less: Depreciation	96.99	104.23	142.62
Taxation	-0.07	28.88	-10.11
Net Profit (loss)	-188.78	99.66	-154.21

SIZE OF THE PORTFOLIO

(a) The Portfolio Manager shall not provide Portfolio Management Services for Portfolio value of less than Rs. 25,00,000/- (Rupees Twenty Five Lakhs) for its prospective Clients with effect from 10 February, 2012,as prescribed by SEBI vide Notification no.LAD-NRO/GN/2011-12/37/3689 dated 10th February, 2012. However, different Strategies may have different Portfolio value under management.

(b) Subject to the minimum Portfolio value, mentioned in the clause hereinabove, the Portfolio Manager shall be entitled to revise the minimum Portfolio value in respect of which it shall provide Portfolio Management Services to the Clients, and in such a case, the Client shall be required to suitably enhance the portfolio value within such days, as may be mutually agreed between the parties hereto.

2. FEES AND EXPENSES

The following are the details of the fees and expenses applicable to the client while availing PMS services:

Particulars	**Scheme 1**	**Scheme 2**	**Frequency of charging the fee**
Fixed Fee	1 % p.a	3 % p.a	Quarterly
Performance Fee	20 % on profits over & above 10 % returns p.a.	Nil	After 12 months of joining or on withdrawal of funds from the portfolio

Statistical Charges, Other Cost & Expenses Such as : Service Tax, STT, Stamp Duty, Insurance Expenses Registrar & Transfer Fee Certification / Profession Charges	On actual	As & When incurred
DP related service charge	As per schedule given	As & When incurred
Exit Load	1% if the portfolio is withdrawn within one year from the date of corpus infusion	As & When incurred

Any other incidental or out of pocket expenses incurred on behalf of client under this scheme shall be charged on actual.
The Fees and other Charges are subject to revision from time to time with the consent of the Client.

SCHEDULE OF CHARGES FOR DEPOSITORY SERVICES

Account Opening/Custody Charges	Nil
Dematerialisation Charges	Nil + Courier Charges of Rs.40 (upto 5 certificates)
Rematerialisation Charges	Nil + Courier Charges of Rs.40 (upto 5 certificates)
Transaction Charges	
Off Market Trades	**Market Trades**
For Debit Rs. 15/- per transaction (intra DP)	For Debit Rs. 12/- per transaction for POA (intra DP)
For Debit Rs. 50/- per transaction (Inter DP)	**Pledge Charges**
Credit : Nil	Pledge creation/invocation Rs.50 per ISIN
Annual Maintenance Charges	
Individual Resident Account	Rs.75/- per quarter for e-statement; Rs.100/- per quarter for physical statement
NRI Account	Rs.250/- per quarter for e-statement; Rs.500/- per quarter for physical statement

Note :

a. Stamp charges are applicable while registering Power Of Attorney (POA)

b. Taxes, levies & other statutory charges shall be charged as per rules

c. All charges & dues will be debited to the PMS account of sole/joint demat account holder(s) maintained with Hedge Equities Ltd.

d. Actual Postage/courier charges shall be levied for all communications.

e. Additional printout of statement will be charged @Rs.25/- per statement per account

f. Any Services which is not mentioned above will be charged separately as per the rates applicable from time to time

Details of Performance Fee:
Performance Fee – Based on High water mark.

High Water Mark Principle:

High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. For the purpose of charging performance fee, the frequency shall not be less than quarterly. The Portfolio Manager shall charge performance based fee only on increase in portfolio value in excess of the previously achieved High Water Mark.

3. TAXATION

The details of the relevant tax provisions stated herein are as per the Income-tax Act, 1961 (Act)) read with the Finance Act 2015. The information stated herein is based on the Portfolio Manager's understanding of the tax laws in force in India at the date hereof. The following is provided for general information purposes only. In view of the peculiarities that may arise as a result of each client's circumstances, each client is advised to consult his/her own tax consultant with respect to the implications arising out of his or her investments. A high level discussion on the taxability of income arising from investment in securities is discussed in the following paragraphs.

A Portfolio client may have:

A) Dividend income on shares / units of mutual funds;

B) Interest income on fixed income securities;

C) Short-term and long-term capital gains (or losses) on sale of securities (shares, debentures, right renunciations, etc.);

D) Business income from purchase and sale of securities (shares, debentures, right renunciations etc.).

Each of such income has a separate tax treatment in the hands of the portfolio client. The tax implications of the same have been discussed in paragraphs A to G below and should be read in light of benefits available to the tax payer under the applicable Double Taxation Avoidance Agreement (DTAA), if any, as discussed in paragraph H.

A) TREATMENT OF DIVIDEND FROM COMPANIES AND MUTUAL FUNDS

(i) Any dividend income from a domestic company, on which dividend distribution tax (DDT) has been paid under section 115-O of the Act, on distributed profits, is exempt from tax under section 10(34) of the Act.

(ii) Income (other than on transfer of units) from units of a SEBI registered mutual fund is exempt under section 10(35) of the Act.

Since the above income will be received by the Products offered under the Portfolio Management Services after payment of DDT, no further tax would be required to be paid on such income.

The rate of tax on the dividends distributed is 16.995% (15%+ surcharge of 10% and education cess of 3%). While rates of tax on the dividend/ income distribution on units of mutual funds would be as under:

Particulars	Rate of tax (%) (Including surcharge of 10% and education cess of 3%)	
	Other than equity oriented schemes	Equity oriented Schemes
Individual and HUF	28.325%	Nil
NRI	28.325%	Nil
Domestic Companies	33.99%	Nil
Period: From 1 Oct 2014		
Individual and HUF	28.325%	Nil
NRI	33.99%	Nil
Domestic Companies	33.99%	Nil

As per the Finance Act, 2014 for the purpose of determining the tax payable, the amount of distributed income be increased to such amount as would, after reduction of tax from such increased amount, be equal to the income distributed by the Mutual Fund. This provision is effective from 1 October 2014 and the impact of the same has not been reflected above

B) TREATMENT OF INTEREST ON FIXED INCOME SECURITIES

Interest income received by any tax payer is taxable as 'Income from other sources' at the normal tax rates applicable to the investor (refer para D for the tax rates) except with respect to certain interest income arising to foreign institutional investors (FIIs) and non-resident Indians (NRI). These exceptions are discussed below.

(i) As per section 115AD of the Act, interest received by an FII in respect of coupon bearing securities (except securities referred to in point (ii) below) is chargeable to tax at the rate of 20% plus applicable surcharge and education cess (for rate of surcharge and education cess, please refer to paragraph E).

(ii) As per section 115AD of the Act, interest payable to a FII on or after 1 June 2013 but before 1 June 2015 in respect of investments made in rupee denominated bonds of an Indian company (where the rate on such bond does not exceed 500 basis points over the applicable base rate of the State Bank of India) or in Government securities is chargeable to tax at the rate of 5% plus applicable surcharge and education cess (for rate of surcharge and education cess, please refer to paragraph E).

(iii) As per section 115E of the Act, interest received by NRI in respect of specified securities will be chargeable to tax at the rate of 20% plus applicable surcharge and education cess (for rate of surcharge and education cess, please refer to paragraph E).

(iv) As per section 115A of the Act, interest received by a non-resident from an infrastructure debt fund and interest received from long-term infrastructure bonds approved by the Central Government, will be chargeable to tax at the rate of 5% plus applicable surcharge and education cess. (For rate of surcharge and education cess, please refer to paragraph E).

(v) As per section 115A of the Act, interest payable to a Qualified Foreign Investor on or after 1 June 2013 but before 1 June 2015 in respect of investments made in rupee denominated bonds of an Indian company (where the rate on such bond does not exceed 500 basis points over the applicable base rate of the State Bank of India) or in Government securities is chargeable to tax at the rate of 5% plus surcharge as applicable and education cess (for rate of surcharge and education cess, please refer to paragraph E).

C) SHORT-TERM AND LONG-TERM CAPITAL GAINS (OR LOSSES) ON SALE OF SECURITIES

It may be noted that income arising from sale of shares / securities / redemption of units of mutual funds can be regarded as either business income or capital gains in the hands of the client. The issue of income characterization as above is essentially a question of fact and dependent on various factors. Guidance can be sought from judicial precedents and the Central Board of Direct Taxes circular in this regard.

Where investments under the portfolio management services are held by the investor on capital account, then the profit or loss from transfer of shares/ securities/ redemption of units of mutual fund is taxed as capital gains under section 45 of the Act.

The rate of tax and other tax implications would also vary depending upon whether the capital asset sold is a short-term capital asset or a long-term capital asset. Under section 2(42A) of the Act, shares of a company or any other security listed on a recognised stock exchange in India or units of a mutual fund specified under section 10(23D) of the Act or zero coupon bonds (as defined under the Act) or unit of a Unit Trust of India established under Unit Trust of India Act, 1963 held as capital assets for a period of 12 months or less immediately preceding the date of their transfer are regarded as short-term capital assets. For other assets, where the assets are held for a period of 36 months or less immediately preceding the date of their transfer, they are regarded as short-term capital assets. All assets which are not short-term capital assets are treated as long-term capital assets [Section 2(29A) of the Act]. Gains arising from a short-term capital asset are regarded as short-term capital gains and gains arising from long-term capital assets be regarded as long-term capital gains.

While computing the capital gains, the following amounts should be deducted from the sale consideration:

i. Cost of acquisition; and

ii. Expenditure incurred wholly and exclusively in connection with such transfer.

Additionally, the status of tax payer (i.e. whether the taxpayer is an individual, a corporate, etc), whether the transfer has been subject to Securities Transaction Tax (STT), the nature of the instrument sold, etc also impact the rate of tax applicable to the capital gains arising from the transfer of a capital asset. Some of these aspects have been discussed below.

1.1. CAPITAL GAIN TAX ON SALE TRANSACTION ON WHICH STT IS CHARGEABLE

1.1.1.STT

STT is the tax leviable on taxable securities transactions being purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund, entered on a recognised stock exchange, or sale of a unit of an equity oriented fund to the mutual fund.

Additionally, as per the amendment made by the Finance Act, 2012, the term 'taxable securities transaction' would include a case of sale of unlisted equity shares on or after July 1, 2012 under an offer for sale to the public included in an initial public offer, where such shares are subsequently listed on a recognised stock exchange and accordingly, STT would be leviable on such transaction.

The following table provides the details in respect of the rate of STT applicable to respective taxable securities transactions (unless mentioned otherwise, the STT is payable by the seller):

Transaction	Rates	Payable By
Purchase/ Sale of equity shares	0.10%	Purchaser/ Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund	0.001%	Seller

1.1.2. Long-term capital gains

Under section 10(38) of the Act, long-term capital gains arising on sale of equity shares of a company or units of equity oriented fund on which STT is chargeable are exempt from income-tax.

However, such long-term capital gains which are exempt under section 10(38) of the Act are taken into account in computing the book profit and income-tax payable under section 115JB of the Act.

1.1.3. Short-term capital gains

Section 111A of the Act provides that short-term capital gains arising on sale of equity shares of a company or units of equity oriented fund and on which STT is chargeable are liable to income-tax at a concessional rate of 15% plus applicable surcharge and education cess. Further, section 48 of the Act provides that in the computation of capital gains no deduction shall be allowed in respect of STT paid.

However, capital gains arising from the transfer of exchange traded derivatives are chargeable to tax at normal rates applicable to the taxpayer. Capital gains from transfer of exchange traded derivatives earned by FIIs are chargeable to tax at the rate of 30% plus applicable surcharge and education cess.

In case of resident individuals and HUFs, where the taxable income as reduced by short-term capital gains is below the maximum amount not chargeable to tax, the short-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance short-term capital gains will be charged at the rate of 15%, plus applicable education cess.

1.2 CAPITAL GAINS TAX ON SALE TRANSACTION ON WHICH STT IS NOT CHARGEABLE

1.2.1 For resident individuals, HUFs, partnership firms (including limited liability partnership) and Indian companies

a) ***Long-term capital gains- Debt Securities:*** Long-term capital gains earned in respect of a long-term capital asset are chargeable to tax under section 112 of the Act at the rate of 20% plus applicable surcharge and education cess. Capital gains are computed after taking into account the cost of acquisition as adjusted by the cost inflation index notified by the Central Government (indexed cost) and expenditure incurred wholly and exclusively in connection with such transfer.

In the case of listed securities or zero coupon bond (as defined under the Act), a tax payer has an option to apply the concessional rate of 10% plus applicable surcharge and education provided the long-term capital gains are computed without substituting the indexed cost in place of the cost of acquisition.

Further, in case of resident individuals and HUFs, where taxable income as reduced by long-term capital gains is below the maximum amount not chargeable to tax, the long-term capital gains is reduced to the extent of the amount which falls short of the maximum amount not chargeable to tax and only the balance long-term capital gains will be charged at the flat rate of 20% or 10% plus applicable education cess.
In the case of capital assets being bonds or debentures (other than capital indexed bonds issued by the Government), the benefit of indexation is not available.

b) ***Long-term capital gains- Other than Equity Oriented Funds:***

c) Short-term capital gains*:* Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer [refer para D for the tax rates].

1.2.2 For non-residents (other than FIIs)
a) Long-term capital gains: Under section 112 of the Act, long-term capital gains arising from transfer of a capital asset, being listed securities, are chargeable to tax at the rate of 20% plus applicable surcharge and education cess (for rates of surcharge and education cess, please refer to paragraph E).
In case of non-resident, capital gains arising from transfer of a capital asset being shares in, or debentures of, an Indian company shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilised in the purchase of the shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency (hereinafter referred to as 'FC computation mechanism'). Further, the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares in, or debentures of, an Indian company.
The tax payer may, though litigious, opt to apply the concessional rate of 10% plus applicable surcharge and education cess (for rates of surcharge and education cess, please refer to paragraph E) for listed securities and units of mutual fund or zero coupon bonds.
Long-term capital gains arising from transfer of a capital asset (including units of a mutual fund), being unlisted securities, are chargeable to tax at the rate of 10% plus applicable surcharge and education cess, without availing the indexation benefit or the FC computation

mechanism as per the first and second proviso to section 48 of the Act (for rates of surcharge and education cess, please refer to paragraph E).
Short-term capital gains*:* Short-term capital gains earned is chargeable to tax as per the normal rates applicable to the tax payer (refer para D for the tax rates).
The FC computation mechanism is also available to the non-resident for computing the short-term capital gains arising from the transfer of shares or debentures.

1.2.3 For NRIs
Long-term capital gains: Under section 115E of the Act, income arising to a NRI by way of long-term capital gains in respect of specified assets (which includes shares, debentures, deposits in an Indian company and securities issued by Central Government) purchased in convertible foreign exchange is chargeable to tax at the rate of 10% plus education cess (for rate of education cess please refer to paragraph E). Such long-term capital gains would be calculated without indexation of cost of acquisition.
Alternatively, NRIs can offer long-term capital gains for tax under section 112 as discussed in para 1.2.2 above.
Short-term capital gains: Short-term capital gains earned is chargeable to tax as per the slab rates applicable to the respective NRI plus education cess (for rate of education cess please refer to paragraph E).
The FC computation mechanism (as discussed in para 1.2.2 above) is available to NRIs for computing the short-term capital gains arising from the transfer of shares or debentures.

1.2.4 FIIs
Long-term capital gains: Under section 115AD of the Act, long-term capital gains will be chargeable to tax at the rate of 10% plus applicable surcharge and education cess (for rates of surcharge and education cess, please refer to paragraph E). Such gains would be calculated without indexation of the cost of acquisition and without FC computation mechanism.
Short-term capital gains: Short-term capital gains earned will be chargeable to tax at the rate of 30% plus applicable surcharge and education cess (for rates of surcharge and education cess, please refer to paragraph E).

1.2.5 Buy-back of shares
With effect from 1 June 2013, gains arising to a shareholder on buy-back of shares of Indian companies (not being shares listed on a recognised stock exchange) as contemplated under section 77A of the Companies Act, 1956 are exempt from tax in the hands of the shareholder, where the Indian company is liable to pay additional income-tax at the rate of 22.66 percent on the consideration paid on buyback which is in excess of the amount received by the company on the issue of such shares.

D) BUSINESS INCOME FROM PURCHASE AND SALE OF SECURITIES
If the investment under the portfolio management services is regarded as “Business/Trading Asset” then the gain/loss arising there from is taxed as business income.
As per the Finance Act 2015, the tax rates applicable to different categories of tax payers for AY 2016-17 are as follows:

Individuals (including NRs) / HUFs /Association of Persons/ Body of Individuals are taxable on progressive basis, as given below:

Where total income for a tax year (April to March) is less than or equal to Rs. 250,000 (the basic exemption limit)	Nil
Where such total income is more than Rs.250,000 but is less than or equal to Rs. 500,000	10 per cent of the amount by which the total income exceeds Rs.250,000
Where such total income is more than Rs. 500,000 but is less than or equal to Rs. 10,00,000	Rs. 25,000 plus 20 per cent of the amount by which the total income exceeds Rs. 500,000
Where such total income is more than Rs. 10,00,000	Rs. 125,000 plus 30 per cent of the amount by which the total income exceeds Rs. 10,00,000

a. In the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs 300,000.
b. In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 500,000.
c. A rebate of Rs.2,000 for individual having total Income upto Rs. 5 lakhs

- Tax rates for other categories are given below:

Type of tax payer	**Tax rate (plus applicable surcharge and education cess)**
Partnership Firms (including limited liability partnership)/Domestic Company	30%
Non Resident (other than Individual and Foreign Company)	30%
Company other than a Domestic Company	40%

Further, STT paid in respect of the taxable securities transactions entered into in the course of business is allowed as a deduction while computing total taxable business income.

E) **SURCHARGE AND EDUCATION CESS**

Resident Investors

Surcharge at the rate of 12% is levied on tax payable by resident non-corporate tax payers (e.g. individuals and Partnership Firms), if the total taxable income exceeds Rs 1 Crore. (Marginal Relief in Surcharge, if applicable)

Non-Resident Investors

Surcharge at the rate of 12% is levied on tax payable by non-resident non-corporate tax payers e.g. individuals and Partnership Firms, if the total taxable income exceeds Rs 1 Crore.

In case of foreign companies the amount of income tax as computed in accordance with above rates, and after being reduced by the amount of tax rebate shall be increased by a surcharge as under 2% of such income tax, provided that the taxable income exceeds Rs. 1

crore. (Marginal Relief in Surcharge, if applicable). Is 5% of such income tax, provided that the taxable income exceeds Rs. 10 crores.

An Education Cess of 2 % and Secondary and Higher Education Cess of 1% (collectively referred to as 'education cess' @ 3%) is levied on tax plus surcharge, if applicable, payable by all assessees (resident and non-residents).

F) LOSSES UNDER THE HEAD CAPITAL GAINS/ BUSINESS INCOME

The Act provides for the manner in which the losses under the head 'Capital Gains' / 'Profits and Gains of Business or Profession (including speculation business)' income are to be set-off and carried forward. Additionally, the following provisions of the Act provide for non-availability of losses:

Dividend Stripping

As per section 94(7) of the Act, loss arising on sale of securities or units, which are bought within 3 months of the record date and sold within 3 months (for securities) or within 9 months (for units of mutual funds) after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Securities / Units.

Record date means such date as may be fixed by—

(i) a company for the purposes of entitlement of the holder of the securities to receive dividend; or

(ii) a Mutual Fund or the Administrator of the specified undertaking or the specified company as referred to in the Explanation to clause (35) of section 10, for the purposes of entitlement of the holder of the units to receive income, or additional unit without any consideration, as the case may be.

Bonus Stripping

As per section 94(8) of the Act, units purchased within a period of 3 months prior to record date of entitlement of bonus and sold within a period of 9 months after such date the loss arising on transfer of original units (while continuing to hold the additional bonus units) shall be ignored for the purpose of computing the income chargeable to tax. The amount of loss so ignored shall be deemed to be the cost of purchase /acquisition of the additional units as are held by the Assessee on the date of such sale or transfer.

G) LIABILITY TO DEDUCT TAX AT SOURCE

Any person responsible for paying to a non-resident, any income, (not being interest from an infrastructure debt fund referred to in section 194LB of the IT Act or from an Indian company as referred to in section 194LC of the IT Act or from rupee denominated bonds and government securities referred to in section 194LD of the IT Act), which is chargeable to tax under the Act, is required to withhold income-tax thereon under section 195, at the prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

As per section 194LB of the IT Act, an infrastructure debt fund responsible for paying to a non-resident, income by way of interest is required to withhold income-tax thereon at the rate of 5% plus surcharge as applicable and education cess (For rates of surcharge and cess, please refer to paragraph E) at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

As per section 194LC of the IT Act, an Indian company responsible for paying to a non-resident, income by way of interest (in respect of monies borrowed on or after 1 July 2012 but before 1 July 2015 in foreign currency from a source outside India by way of issue of long term infrastructure bonds) is required to withhold income-tax thereon at the rate of 5% plus surcharge as applicable and education cess (For rates of surcharge and cess, please refer to paragraph E) at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

As per section 194LD of the IT Act, any person responsible for paying to a FII or a Qualified Foreign Investor, income by way of interest payable on or after 1 June 2013 but before 1 June 2015 in respect of investments made in rupee denominated bonds of an Indian company (where the rate on such bond does not exceed 500 basis points over the applicable base rate of the State Bank of India) or Government securities is required to withhold income-tax thereon at the rate of 5% plus surcharge as applicable and education cess (For rates of surcharge and cess, please refer to paragraph E) at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

However, with respect to FIIs, section 196D(2) of the Act provides that income-tax is not required to be withheld from any income by way of capital gains, arising from the transfer of securities referred to in section 115AD, payable to the FIIs.

In case of deduction of tax at source (TDS) on payments made to non residents, the tax rates would be increased by surcharge and education cess.

Any person (not being an individual or HUF having total sales/ turnover/ gross receipts not exceeding business of Rs. 100 lakh or gross receipts from profession not exceeding Rs. 25 lakh) responsible for making certain specified payments (for eg interest) to a resident, is required to withhold income-tax thereon at the prescribed rates, at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

In case of TDS on payments made to residents, the tax rates would not be increased by surcharge and education cess, as applicable.

Where the deductee fails to furnish its PAN/ furnishes an incorrect PAN to the deductor, the deductor will be required to withhold taxes at the rate specified under the Income-tax Act/ the rates in force or 20%, whichever is higher.

4. ACCOUNTING POLICY/ VALUATIONS

The following Accounting policy will be applied for the portfolio investments of Clients:

(a) Investments in Equities, Mutual Funds and Debt instruments will be valued at the closing market prices of Bombay Stock Exchange or National stock Exchange as the case may be, or the Repurchase Net Asset Value declared for the relevant Strategy on the date of the report or any cut-off date or the market value of the debt instrument at the cut-off date. Alternatively, the last available prices on the exchange or the most recent Net Asset Value will be reckoned.

(b) Purchase/Sale consideration will be calculated by applying the "weighted average cost" method.

(c) Realised gains/loss will be reckoned for the current/most recent sale on FIFO basis.

(d) For derivatives and futures and options, unrealized gains and losses will be calculated by marking to market the open positions.

(e) Unrealized gains/losses are the differences, between the current market value/Net Asset Value and the historical cost of the Securities.

(f) Dividends on shares and units in mutual funds shall be accounted on ex-dividend date, interest, stock lending fees earned etc., shall be accounted on receipt basis. The interest on debt instruments shall be accounted on receipt basis.
(g) The Portfolio Manager can adopt any specific norms or methodology for valuation of investments or accounting the same at its discretion.

7. INVESTOR SERVICES

(a) Contact information

Name, address and telephone number of the investor relation's officer who shall attend to the investor queries and complaints.

Name : Sangeeth C Cherian
Address : Hedge house, Palarivattom,Mamangalam,Kochi-682025-
Telephone : 0484-3051913
E-mail : pms@hedgeequities.com

The official mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is invested with the necessary authority, independence and the wherewithal to handle investor complaints.

(b) Grievance Redressal and dispute settlement mechanism

The Portfolio Manager will endeavour to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the client is not satisfied with the response provided through the above channel the client can escalate the issue to the compliance officer or the director operations of Hedge Equities Ltd at the below mentioned address:

Sini Ralph
Compliance Officer, Hedge Equities Ltd, Hedge House
Mamangalam, Kochi – 682025, Ph: 0484-3040426
sini.r@hedgeequities.com

Bobby Jose
Director –Operations, Hedge Equities Ltd, Hedge House
Mamangalam, Kochi – 682025 , Ph: 0484-3040405
bobby@hedgeequities.com

If the investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the investor and the Portfolio Manager shall abide by the following mechanisms.
All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with and subject to the provisions of the Arbitration and Conciliation Act, 1996, or any statutory requirement, modification or reenactment thereof. Such Arbitration proceedings shall be held at Kochi or such other place as the Portfolio Manager thinks fit. The Arbitration proceedings shall be conducted in English.

8. GENERAL

The Portfolio Manager and the Client can mutually agree to be bound by specific terms through a written two-way agreement between themselves in addition to the standard agreement for Portfolio Management Services.

Approved by Board of Directors of HEDGE EQUITIES LTD

sd/-	**sd/-**	**sd/-**
Alex K Babu	**Bobby Jose**	**Bhuvanendran Nair**
Managing Director	**Director**	**Director**

FORM C
SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS, 1993
(Regulation 14)

HEDGE EQUITIES LTD
B 302 Trade Square, Mehra Compound, Near DSK Madhuban, Sakinaka Kurla Road, Andheri East,Mumbai – 400 072, Maharashtra
Date : 27/12/2016

We confirm that:
i) The Disclosure Document forwarded to SEBI is in accordance with the SEBI (Portfolio Managers) Regulations, 1993 and the guidelines and directives issued by SEBI from time to time.
ii) The disclosures made in the Disclosure 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 in the Portfolio Management.
iii) The Disclosure Document has been duly certified by an independent Chartered Accountant **M/s Manikandan & Associates**, Chartered Accountants having office Second Floor, Suprabha Complex, Opp. Private Bus Stand South Jn., Chalakudy, Kerala – 680307 on 26th December 2016.

A copy of the certificate issued by the said Chartered Accountant certifying the disclosures made in the disclosure document is enclosed.

For HEDGE EQUITIES LTD
Sd/-
Bobby J Arakunnel
Principal Officer

Manikandan & Associates
Chartered Accountants

To

Hedge Equities Ltd
B 302 Trade Square, Mehra Compound,
Near Dsk Madhuban, Sakinaka Kurla Road,
Andheri East, Mumbai – 400 072

CERTIFICATE

We have verified the books of accounts and other records of the company produced before us and based on such verification and further informations and explanations given to us, we hereby certify that the disclosure made in disclosure document dated 22nd December 2016 as required by SEBI (Portfolio Managers) Amendment Regulations, 1993 are true, fair and adequate to enable the investors to make well informed decision.

Place: Chalakudy
Date: 26-Dec-2016

FOR MANIKANDAN & ASSOCIATES

MANIKANDAN & ASSOCIATES CHARTERED ACCOUNTANTS CHALAKUDY 680 307

C.K MANIKANDAN
(PARTNER)
CHARTERED ACCOUNTATNTS
M.NO:208654
FIRM REG NO.008520S

Chalakudy: IInd Floor, Suprabha Complex, Opp Pvt Bus Stand, South Jn., Chalakudy, Thrissur - 680 307, **Kochi:** No.78, IInd Floor, DD Oceano Mall, Near Taj Gateway Hotel, Marine Drive, Ernakulam - 682 011, **Thrissur:** S-16 Alukkas Castle, Opp.Collectorate, Ayyanthole, Thrissur - 680 003, **Phone** - Off: L: 0480 2700504, Off: M: 86068 36564, Partner: 9447100504, Email :Off: ckmauditors@gmail.com Partner: manikandan_ck@yahoo.com
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