

## ADDENDUM

The Trustees of Tata Mutual Fund have approved the following changes in the Scheme Information Document of Tata Select Equity Fund. Tata Select Equity Fund will be repositioned as a dedicated Sharia Fund and named as Tata Ethical Fund. The changes in scheme features are as follows:

**Effective Date : 5<sup>th</sup> September 2011**

	<b>Existing</b>	<b>Proposed</b>
<b>Name of the Scheme</b>	Tata Select Equity Fund	Tata Ethical Fund
<b>Nature of the Scheme</b>	An Open ended Equity Scheme	An Open Ended Equity Scheme
<b>Investment Objective</b>	The investment objective of the Scheme is to provide income distribution and / or medium to long term capital gains while at all times emphasizing the importance of capital appreciation.	The investment objective of the Scheme is to provide medium to long- term capital gains by investing in Sharia compliant equity and equity related instruments of well-researched value and growth - oriented companies
<b>Benchmark Index</b>	BSE Sensex	S&P CNX 500 Shariah

### Investment Pattern & Risk Profile:

Existing

Instruments	Indicative Allocations(% of total assets)**			Risk Profile
	Minimum upto	Likely Around	Maximum upto	
Equity & Equity Related(Listed)	--	100	100	High
Equity & Equity Related (Unlisted)	--	0	5	High

\*\* At the time of investment.

The scheme net assets will have maximum derivative net positions of 50% of the net assets of the scheme. Investment in derivative instruments may be done for hedging and portfolio balancing.

### Proposed

Instruments	Indicative Allocations(% of total assets)**	Risk Profile
Equity & Equity Related Sharia compliant listed, to be listed and unlisted securities of companies and other instruments if allowed under Sharia Law/Principles.	Upto 100%	High

\*\* At the time of investment.

## **Investment Restrictions :**

**Existing** The Investment would be primarily in equities of growth oriented and well researched companies. The Funds policy is of non-investment in prohibited sectors like liquor, Tobacco, Consumer Goods, Finance and Banking and other investments in interest Bearing Securities.

**Proposed** In addition to the restrictions on investments as per seventh schedule of SEBI {Mutual Fund} Regulation 1996 , the scheme will adhere to following restrictions:

### **(A) Investment Restrictions (based on security types)**

1 The scheme will invest in following type of securities:

- a. Common Stock or Equities;
- b. GDRs; or
- c. other instruments with equity features subject to approval by the Sharia Board/Advisor.

2 The fund shall not invest in the instruments which are in form and substance not compliant with the Sharia principles, such instruments include the following:

- a. Preferred Stock (preference shares or securities with such features);
- b. Options;
- c. Conventional Money Market Instruments;
- d. Futures; and
- e. Other derivative instruments.

3. The fund shall not leverage its assets for borrowing;

4. The fund shall not indulge in short selling;

5. In principle the writing of call options through Sharia compliant mechanism is approved under Sharia philosophy subject to approval of Sharia Board/Advisor.

6. As required the fund may keep some portion of its portfolio in cash or zero interest liquid assets.

### **(B) Investment Restrictions (based on activities and financial ratios)**

In addition to the above restrictions for permitted type of securities, the fund will invest only in securities of companies that comply with the Sharia requirements.

The Fund Manager is precluded from investment in companies involved in Prohibited Activities (*'Haram'* Activities) and companies breaching the Permitted Financial Ratios as defined below:

No investments shall be made in securities of companies whose activities include and/or are related to any of the following :

- (i) Conventional Financial Institutions based on Riba (Interest) or Gharar(Uncertainty)
- (ii) Alcoholic Beverages
- (iii) Gaming / Gambling / Casino / Games of Chance

- (iv) Pork
- (v) Non-halal Food Products
- (vi) Entertainment and Leisure Related To Pornography or Adult Content
- (vii) Hospitality / Hotels
- (viii) Weapon or ammunition sector
- (ix) Other activities as may be prohibited under Sharia Principles

**(C)** In addition to the above Prohibited Activities a company must to meet the following financial criteria (the “**Permitted Financial Ratios**”):

- (i) The total interest bearing debts (i.e. non Sharia compliant borrowing including but not limited to short term debts, long term debts, bank overdrafts and preferred capital if any) of the company must not exceed 30% of its trailing 12 month average market capitalization if it is a listed company, total assets if the company is unlisted;
- (ii) The interest bearing or non Sharia compliant lending / investments (including but not limited to interest paying fixed deposits, bonds, investments in Prohibited Activities or companies indulging in Prohibited Activities) by the company should not exceed 30% of its trailing 12 month average market capitalization if it is a listed company, or total assets if the company is unlisted;
- (iii) The cash (liquid assets), trade receivables, investments and other debtors put together must not exceed 70% its trailing 12 month average market capitalization if it is a listed company. If the company is unlisted this ratio will not apply;
- (iv) The income from interest and other Prohibited Activities (including non-Sharia compliant activities including the dividends income from non-Sharia compliant investments and subsidiary companies) must not be higher than 5% of the total income.

All the conditions are subject to evaluation on an ongoing basis.

In case of change of Sharia compliance status of any company post investment by the scheme, the fund manager will exit from the scrip within the time limit suggested by Sharia Advisor / Board and if required will purify the portion of dividend received from prohibited activities by donating the relevant portion of the dividend to the charities recommended by independent Sharia advisor.

All other terms, conditions and features including the load structure of the scheme remain unchanged.

All existing scheme options will continue as it is after repositioning the scheme as Tata Ethical Fund.

**Notes:-**

- The above revision will be implemented prospectively and shall remain in force till further notice.
- This addendum will form an integral part of the Scheme Information Document.
- All other terms and conditions of the Scheme Information document read with other addendums if any remain unchanged.

**Statutory Details:**

Constitution: Tata Mutual Fund (TMF) has been set up as a Trust under the Indian Trusts Act 1882.

Sponsors: Tata Sons Limited and Tata Investment Corporation Limited. Trustee: Tata Trustee Company Ltd. Investment Manager: Tata Asset Management Ltd.

**Risk Factors: All investments in Mutual Fund & securities are subject to market risks & the NAV of the units issued under the scheme can go up or down depending on the factors & forces affecting the capital markets • Mutual Fund & securities investments are subject to market risks & there can be no assurance & no guarantee that the objectives of the scheme will be achieved • Past performance of the previous scheme, the Sponsors or its group affiliates is not indicative of & does not guarantee the future performance of the schemes • The above is only the name of the scheme and does not in any manner indicates either the quality of the scheme, its future prospects or the returns. • The Sponsors are not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the contribution of an amount of Rs.1 lac made by them towards setting up of the Mutual Fund. Investments in debt securities are subject to interest rate risk, credit risk & liquidity risk • The present scheme is not guaranteed or assured return schemes • Investment in mutual fund units involves investment risk such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of capital. For scheme specific risk factors & other details please read the Scheme Information Document (SID), Statement of Additional Information (SAI) and Key Information Memorandum (KIM) of the scheme carefully before investing.**