TATA MUTUAL FUND

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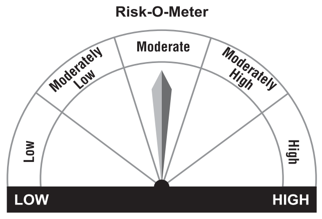
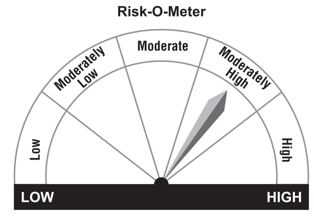
NOTICE CUM ADDENDUM

CHANGES IN THE FUNDAMENTAL ATTRIBUTES AND SCHEME FEATURES OF - TATA MONTHLY INCOME FUND, (MONTHLY INCOME IS NOT ASSURED AND IS SUBJECT TO AVAILABILITY OF DISTRIBUTABLE SURPLUS)

EFFECTIVE DATE: 27th July, 2015

Notice is hereby given that the Trustees of Tata Mutual Fund have approved the changes in the fundamental attributes of the Tata Monthly Income Fund ("Scheme"). The Scheme will become Equity Oriented Fund and will be known as Tata Regular Savings Equity Fund from the effective date.

The following changes will be implemented to the terms of the scheme from the effective date.

Details	Current Provisions of Tata Monthly Income Fund	Proposed Change
Name the Scheme	Tata Monthly Income Fund (TMIF)	Tata Regular Saving Equity Fund (TRSEF)
Scheme Type	Open ended debt scheme	Open ended Equity Scheme
Risk–O-Meter	This product is suitable for investors who are seeking*: • Long Term Capital Appreciation & Current Income • Investment predominantly in fixed income instruments and small portion (upto 10%) in equity and equity related instruments. ***Investors should consult their financial advisors if in doubt about whether the product is suitable for them.** Risk-O-Meter  Investors understand that their principal will be at Moderate risk	This Product is suitable for investors who are seeking*: • Long Term Capital Appreciation by investing in equity and equity related instruments • Income distribution by investing in equity arbitrage opportunities and debt & money market instruments. ***Investors should consult their financial advisors if in doubt about whether the product is suitable for them.** Risk-O-Meter  Investors understand that their principal will be at Moderately High risk
Investment objective	The investment objective of the Scheme is to provide reasonable and regular income along with possible capital appreciation to its Unitholders.	The investment objective of the scheme is to provide long term capital appreciation and income distribution to the investors by predominantly investing in equity and equity related instruments, equity arbitrage opportunities and investments in debt and money market instruments.
Benchmark	CRISIL MIP Blended Index	A customized benchmark using following combinations: 35% CNX Nifty + 30% Crisil Liquid Fund Index + 35% Crisil Short Term Bond Fund Index
Minimum application amount	For Both Plan A & Direct Plan Growth option: Rs 5000/- Monthly Dividend: Rs 25000/- Quarterly Dividend : Rs 10,000/-	For Both Regular Plan & Direct Plan Growth, Monthly and Quarterly Dividend option: Rs 5000/- for each option * Plan A is renamed as Regular Plan

Asset Allocation & Investment Strategy

Current Investment Pattern

Under normal circumstances, funds of the Scheme, shall (after providing for all ongoing expenses) generally be invested / the indicative asset allocation shall be as follows considering the objective of the Scheme:

Instruments	Indicative allocations (% of Net Assets)	Risk Profile
	% of Funds available	High/Medium/Low
Debt (including Money Market) *	90 - 100	Low to Medium
Equity and Equity Related	0 - 10	High

* Investment by the scheme in securitised debt will not exceed 50% of the net assets of the Scheme.

New Investment Pattern & Investment Strategy

Under normal circumstances, funds of the Scheme, shall (after providing for all ongoing expenses) be invested / the indicative asset allocation shall be as follows considering the objective of the Scheme:

Instruments	Indicative allocations (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity & Equity Related instruments, of which	65%	90%	Medium to High
-Net Long Equity Exposure- Equity & Equity related instruments*^$	15%	35%	Medium to High
-Equity & Equity Derivatives(Arbitrage Exposure) **	30%	70%	Low to Medium
Debt, Cash & Money Market Securities#	10%	35%	Low to Medium

The net long (Unhedged) equity exposure would be capped at a maximum of 35% of the portfolio.

$ The net long equity exposure will be managed as per the stated Investment Strategies. However deviation in the investment pattern shall be subject to rebalancing requirements as stated in clause "Change in the Investment Pattern"

* This denotes only net long equity exposures aimed to gain from potential capital appreciation of these positions. Thus it is a directional equity exposure which is not hedged.

**This denotes equity positions by investing in arbitrage opportunities in the equity market. The fund manager in the above case can therefore take exposure to equivalent stock/ index futures & create completely covered positions to avail arbitrage between spot & futures market. Thus the entire position is primarily used to lock arbitrage profit. The margin money requirement for the purposes of derivative exposure may be held in the form of Term Deposit.

^ Including units of open ended mutual fund schemes.

Exposure to derivative instruments will be restricted to 70% of the net assets of the scheme.

\# The scheme does not seek to invest in securitized debt, foreign securities, repo/reverse repo in corporate debt securities and does not seek to participate in credit default swaps.

Money Market Instruments include commercial papers, commercial bills, treasury bills, Collateralised Borrowing &Lending Obligations (CBLO), Government Securities having an unexpired maturity up to one year, call or notice money, certificates of deposit, usance bills &any other like instruments as specified by the RBI from time to time. The Scheme retains the flexibility to invest across all securities in the Debt Securities &Money Market Instruments. The Scheme may also invest in units of debt &liquid mutual fund schemes. The portfolio may hold cash depending on the market conditions. The actual percentage of investment in various Money Market &other fixed income Securities will be decided after considering the economic environment including interest rates &inflation, the performance of the corporate sector &general liquidity &other considerations in the economy &markets.

The cumulative gross exposure to equity, equity related instruments, debt, money market instruments and derivatives shall not exceed 100% of the net assets of the scheme in accordance with SEBI Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010.

If suitable arbitrage opportunities is not available than the fund manager may hedge the equity long position. However if the debt / money market instruments are providing more efficient returns than equity exposure then the fund manager may choose to have a lower equity arbitrage/hedge exposure. In such defensive circumstances the asset allocation will be as per the below table:

Instruments	Indicative allocations (% of Net Assets)		Risk Profile
	Minimum	Maximum	
Equity & Equity Related instruments, of which	15%	90%	Medium to High
- Net Long Equity Exposure- Equity & Equity related instruments*^	15%	35%	Medium to High
- Equity & Equity Derivatives (Arbitrage/ Hedged Exposure) **	0%	70%	Low to Medium
Debt, Cash & Money Market Securities #	10%	85%	Low to Medium

The net long (Unhedged) equity exposure would be capped at a maximum of 35% of the portfolio.

* This denotes only net long equity exposures aimed to gain from potential capital appreciation of these positions. Thus it is a directional equity exposure which is not hedged.

** Equity exposure would be used for arbitrage opportunity to the extent possible and balance exposure may either be hedged with corresponding equity derivatives or may be invested in money market /debt securities. The margin money requirement for the purposes of derivative exposure may be held in the form of Term Deposit.

Change in Investment Pattern

Subject to the Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute. These proportions can vary substantially depending upon the perception of the fund manager and stated investment strategy; the intention being at all times to seek to protect the interests of the Unit holders. In the event of deviations, the fund manager will carry out rebalancing within 30 calendar days. Where the portfolio is not rebalanced within 30 calendar days, justification for the same shall be placed before the Investment Committee and reasons for the same shall be recorded in writing. The Investment Committee shall then decide on the course of action. However, at all times the portfolio will adhere to the overall investment objectives of the Scheme.

Investment Strategy

The investment strategy is aimed at generating income by investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and in debt securities and at the same time attempting to enhance returns through long exposure in equity and equity related instruments. If suitable arbitrage opportunities are not available in the opinion of the Fund Manager, the scheme may hedge the equity exposure and invest balance amount in debt and money market securities.

Valuation Overlay to Net Long Equity Allocation

The fund seeks to manage Net Long Equity Allocation based on the valuation and intrinsic value of Equity. For this, the fund uses the price to earnings (PE) ratio, which is a popular fundamental ratio used in value investing and standard deviation of the PE ratio.

The fund will compare the Long Term Average Trailing PE of CNX Nifty with the 20 Day Moving Average (20DMA) Trailing PE of CNX Nifty in terms of the Standard Deviation. Standard Deviation is an expression of the historical volatility of a value from its long term average.

Historically, markets are considered to be trading in overvaluation zone when the CNX Nifty is trading at a high standard deviation in terms of trailing PE compared to its long term average.

This was evident in the CNX Nifty witnessing sharp corrections after such deviation was at or above 1.5 Times Standard Deviation. AMC has witnessed CNX Nifty correcting from these valuation levels during IT Crash (After 1Q of 2000), Global Financial Crisis (After 4Q 2007) and again later in the year 2010 (4Q 2010).

Such an asset rebalancing strategy, seeks to protect investors against severe downturns from extreme valuations, allows profit booking and reinvestment at lower valuation levels and also promotes long term investment.

Accordingly, in the event the equity markets are trading in extreme overvaluation zone, the fund manager for defensive consideration will manage Net Long Equity Exposure as follows –

20D Avg Trailing PE of CNX Nifty (20DMA) Compared to Long Term Avg of Trailing PE of CNX Nifty (LTA); observed at every month end		Valuation Based Allocation to Net Long Equity
Markets Trading at Premium Valuations	20DMA >= LTA + 2 * STDDEV	Net Long Equity Exposure Cut to 0%
	20DMA >= LTA + 1.5 * STDDEV	50% of Net Long Equity Exposure Cut at Every Monthly Observation of this Band
	20DMA >= LTA + STDDEV	Hold Current Net Long Equity Exposure
	20DMA > LTA	Hold Current Net Long Equity Exposure
Markets Trading at Discount Valuations	20DMA <= LTA	10% to 25% of such Defensive outstanding arbitrage/ hedged / debt exposure moved to Net Long Equity at each monthly observation of this band (Max 35% of Portfolio)
	20DMA <= LTA - STDDEV	50% of such Defensive outstanding arbitrage/ hedged / debt exposure moved to Net Long Equity at each monthly observation of this band (Max 35% of Portfolio)
	20DMA <= LTA – 1.5 * STDDEV	Full 35% Net Long Equity Allocation

*Defensive exposure implies the Net Long Equity Exposure which was moved from net long equity to arbitrage/hedged/debt exposure

20DMA = 20 DMA of the trailing PE ratio of CNX Nifty

LTA (long-term average) = Average of the trailing PE ratio of CNX Nifty since January 01, 1999 till observation date, on a daily basis

STDDEV = Standard deviation of the trailing PE ratio of CNX Nifty since January 01, 1999 till observation date, on a daily basis

Net Long Equity exposure if any, which does not get rebalanced as per the first table will continue in the portfolio. Such a strategy is expected to optimize the risk-return proposition for long term investors.

For this purpose, at every month end; the standard deviation of 20 Day Average Trailing PE of CNX Nifty compared to its long term average is observed. The fund will seek to do the valuation based rebalancing if any; as observed at month-end on the first working day of the subsequent month. However, the AMC retains the right to spread the rebalancing and affect the same in five working days from the day of change in bands.

Income from Arbitrage Positions:

The fund manager will evaluate the difference between price of a stock in the futures market and in the spot market. If the price of a stock in the futures market is higher than in the spot market, after adjusting for cost and taxes, the scheme may buy the stock in the spot market and sell the same stock in equal quantity in the futures market simultaneously. For example, on 01-12-2014, the scheme buys 10,000 shares of XYZ Ltd (hypothetical stock) on spot @ Rs.144.40/- and at the same time sells 10,000 XYZ Ltd. futures for December,2014 expiry @ Rs.145.70. The scheme thus enters into a fully hedged transaction by selling the equity position in the futures market for expiry on 25-12-2014. If the scheme holds this position till expiry of the futures, the scheme earns an annualised net return (after adjusting brokerage, service tax and STT) of 9.79%, irrespective of what is the price of XYZ Ltd. on the date of expiry. On the date of expiry, if the price differential between the spot and futures position of the subsequent month maturity still persists, the scheme may rollover* the futures position and hold onto the position in the spot market. In case such an opportunity is not available, the scheme would liquidate the spot position and settle the futures position simultaneously.

* Rolling over of the futures transaction means, Unwinding the short position in the futures and simultaneously buying futures of the subsequent Month maturity, and Holding onto the spot position. There could also be instances of unwinding both the spot and the future position before the expiry of the current-month future to increase the base return or to meet redemption.

Enhance returns through Unhedged Equity:

The scheme would look to enhance returns through a moderate exposure in unhedged equity positions. The long equity exposure may comprise of equity stocks or equity derivatives such as equity index options & futures or a combination of both. A combination of top-down & bottom up approach would be used to select scrips which have the potential to provide growth at reasonable valuations.

Derivatives	Restricted upto 50% of the net assets of the scheme.	Net exposure to derivative shall not exceed 70% of the net assets of the scheme.	
Fund Manager	S Raghupathi Acharya (Debt Portfolio)& Atul Bhole (Equity Portfolio)	Akhil Mittal (Debt Portfolio) & Atul Bhole (Equity Portfolio)	
Annual Scheme Recurring Expenses	The maximum recurring expenses shall be subject to following limits**	**Tata Monthly Income Fund**	**Tata Regular Savings Equity Fund**
	a) on the first Rs.100 crores of the daily net assets	2.45%	2.70%
	b) on the next Rs.300 crores of the daily net assets	2.20%	2.45%
	c) on the next Rs.300 crores of the daily net assets	1.95%	2.20%
	d) on the balance of the assets :	1.70%	1.95%
	** including additional limit of 0.20% specified in sub regulation (6A)(c) of Regulation 52 of SEBI (Mutual Funds) Regulations, 1996 but excluding service tax on investment management & advisory fees and expenses not exceeding of 0.30 per cent of daily net assets as stated in regulation 6A(b) of SEBI (Mutual Funds) regulations, 1996.		
	The Total Expense Ratio (TER) of Direct Plan will be lower by at least 5% vis-à-vis Regular Plan i.e. Plan A		
Taxation	As applicable to other than Equity oriented Fund.	As applicable to Equity Oriented Fund	

All other terms and conditions including load structure of the Scheme will remain unchanged.

The proposed changes are changes in the fundamental attributes of the Scheme as per Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996.Hence, Unitholders who are not in favour of the above mentioned scheme changes, they may choose to exit from Tata Monthly Income Fund by submitting request for redemption or switch to any of our existing schemes at the prevailing NAV without payment of exit load, from 24th June, 2015 to 24th July 2015 (upto 3.00 p.m.) at any of AMC Branches or CAMS Official Points of Acceptance.

The unit holders who have pledged or encumbered their units will not have the option to exit unless they procure an effective release of their pledges/ encumbrances prior to the redemption / switch-out requests.

A written communication informing the above change has been sent to all the unit holders of TMIF informing them of the proposed changes and the exit option details.

Unitholders may note that no action is required in case they are in agreement with the aforesaid changes, which shall be deemed as acceptance of the said change. **The offer to exit from the Scheme is optional at the discretion of the Unit holders and not compulsory.**

This Notice cum addendum forms an integral part of the Scheme Information Document and Key Information Memorandum of the Fund, as amended from time to time.

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

Size: 33x39 sq. cm