TATA MUTUAL FUND

# NOTICE CUM ADDENDUM

**Notice cum addendum for Scheme Information Documents (SIDs) and Key Information Memorandums (KIMs) of Tata Equity P/E Fund and Tata Multicap Fund regarding writing of call options under a covered call strategy, w.e.f. 19th December 2020.**

**The Schemes will write call options under a covered call strategy subject to guidelines issued by SEBI from time to time. At present Call Option writing is subject to following conditions:**

1) Call option writing under a cover call strategy is allowed for constituent stocks of NIFTY 50 and BSE SENSEX.
2) The total notional value (taking into account strike price as well as premium value) of call options written by the scheme shall not exceed 15% of the total market value of equity shares held in that scheme.
3) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrance.
4) In no case, the scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.
5) The total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
6) The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the scheme until the position is closed or expired.

**Benefit of Writing of Call Option Under a Cover Call Strategy:**

a. Holders with Long term view on the stock can write options and reduce the portfolio costs.
b. Writing can also act as a good alternative for playing relative outperformance for stocks held in portfolios within same sector.
c. Stocks held in the portfolio can be effectively hedged in extreme volatility in the market.

**Illustration**

For example, if the scheme buy a stock A at Rs. 900, receive a Rs.100 option premium from writing a Rs. 1050 strike price call of stock A, then it can maintain the stock position as long as the stock price stays below Rs. 1150 at expiry. If the stock price moves above Rs. 1150, the scheme may have to give delivery of long position to meet obligation of call writing. The scheme can only profit if stock price remains below Rs. 1150 on expiry.

**Risk of Writing of Call Option Under a Cover Call Strategy:**

Under a delivery settlement a call writer will have to part with the physical holding of security which was originally intended for long term holding.

A written communication informing the above changes has been sent to all the unit holders of the schemes informing them of the above changes and option to exit from scheme(s) at the prevailing NAV without payment of exit load from 19th November 2020 to 18th December 2020 (upto 3 p.m.).

Unitholders may note that no action is required in case they are in agreement with the aforesaid changes.

**Load free exit period is available only for investors holding units as on 18th November 2020 as per Registrars records.**

**Notes:**

- This notice cum addendum will form an integral part of the SID and KIM of the schemes.
- All other terms and conditions of the SID/KIM read with other addendums including the Risk-o-meters of the scheme remain unchanged.

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

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