

## Creation of Segregated Portfolio

In terms of SEBI Circular, SEBI/HO/IMD/DF2/CIR/P/2018/160, dated December 28, 2018 on Creation of segregated portfolio in mutual fund schemes, the Board of UTI Asset Management Company Ltd. and UTI Trustee Company Pvt. Ltd. have approved the enabling of provision of creation of segregated portfolio of debt and money market instruments in the following open ended Debt Funds/Hybrid Funds. In this regard, we are modifying Scheme Information Document (SID) of these schemes in order to enable Creation of segregated portfolio. This is proposed in order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk.

The above change is being effected by adhering to Regulation 18(15A) of SEBI (Mutual Funds) Regulation 1996 of change in fundamental attribute of the scheme. Securities and Exchange Board of India has noted the same vide letter number IMD/DF2/OW/P/2019/15395/1 dated June 19, 2019.

1. UTI Banking and PSU Debt Fund	2. UTI Bond Fund	3. UTI Dynamic Bond Fund	4. UTI Corporate Bond Fund
5. UTI Credit Risk Fund	6. UTI Medium Term Fund	7. UTI Treasury Advantage Fund	8. UTI Ultra Short Term Fund
9. UTI Short Term Income Fund	10. UTI Liquid Cash Plan	11. UTI Floater Fund	12. UTI Money Market fund
13. UTI Regular Savings Fund			

### Procedure to create a segregated portfolio

The term 'segregated portfolio' shall mean a portfolio, comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme. The term 'main portfolio' shall mean the scheme portfolio excluding the segregated portfolio. The term 'total portfolio' shall mean the scheme portfolio including the securities affected by the credit event.

UTI AMC may create segregated portfolio in the aforesaid schemes subject to the following:

- Segregated portfolio may be created, in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:
  - Downgrade of a debt or money market instrument to 'below investment grade', or
  - Subsequent downgrades of the said instruments from 'below investment grade', or
  - Similar such downgrades of a loan rating.
- In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level.
- Creation of segregated portfolio shall be optional and at the discretion of UTI AMC.

### 4. Process for creation of segregated portfolio

- In case UTI AMC decides on creation of segregated portfolio on the day of credit event it shall
  - seek approval of trustees prior to creation of the segregated portfolio.
  - immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors and also disclose that the segregation shall be subject to trustee approval. Additionally, the said press release shall be prominently disclosed on the website of UTI MF.
  - ensure that till the time the trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.
- Once trustee approval is received by UTI AMC,
  - Segregated portfolio shall be effective from the day of credit event
  - UTI AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
  - An e-mail or SMS shall be sent to all unit holders of the concerned scheme.
  - The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
  - All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
  - No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, UTI AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
- If the trustees do not approve the proposal to segregate portfolio, UTI AMC shall issue a press release immediately informing investors of the same.

### 5. Valuation and processing of subscriptions and redemptions

- Notwithstanding the decision to segregate the debt and money market instrument, the valuation shall take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.
- All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
  - Upon trustees' approval to create a segregated portfolio -
    - Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
    - Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
  - In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be

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- The costs related to seg

### B. Risk factors associat

- Investor holding units o
- Security comprises of se
- Listing of units of segrei  
be active trading of unit  
prevailing NAV.

### 9. Monitoring by Trust

In order to ensure timely re  
take suitable action as may  
In order to avoid mis-use  
performance incentives of F  
the segregated portfolio, i  
amount to the segregated  
Given below is an illustrati  
Portfolio Date 30-Apr-19  
Downgrade Event Date 30  
Downgrade Security 8.21%  
Valuation Marked Down 2  
Investor A is holding 1000 I

### Total Portfolio

Security
7.73% A HOUSING FINANCI
0% SRNCB B FINANCE LTD.
7.65% C LTD.
8.21% X LTD.
NET CURRENT ASSETS
Net Assets
Unit Capital
NAV

\* Marked down by 25% on the 30th April 2019, NCD of 8.21%

### Main Portfolio as on 30:

Security
7.73% A HOUSING FINANCI
0% SRNCB B FINANCE LTD.
7.65% C LTD.
NET CURRENT ASSETS
Net Assets
Unit Capital
NAV

### Segregated Portfolio as

Security
8.21% X LTD.
Net Assets
Unit Capital
NAV

### Value of Holding of Inv

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Main Portfolio
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UTI AMC may create segregated portfolio in the aforesaid schemes subject to the following:

1. Segregated portfolio may be created, in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:
  - a. Downgrade of a debt or money market instrument to 'below investment grade', or
  - b. Subsequent downgrades of the said instruments from 'below investment grade', or
  - c. Similar such downgrades of a loan rating.
2. In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level.
3. Creation of segregated portfolio shall be optional and at the discretion of UTI AMC.

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- a. In case UTI AMC decides on creation of segregated portfolio on the day of credit event it shall
  - i. seek approval of trustees prior to creation of the segregated portfolio.
  - ii. immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors and also disclose that the segregation shall be subject to trustee approval. Additionally, the said press release shall be prominently disclosed on the website of UTI MF.
  - iii. ensure that till the time the trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.
- b. Once trustee approval is received by UTI AMC,
  - i. Segregated portfolio shall be effective from the day of credit event
  - ii. UTI AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
  - iii. An e-mail or SMS shall be sent to all unit holders of the concerned scheme.
  - iv. The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
  - v. All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
  - vi. No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, UTI AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
- c. If the trustees do not approve the proposal to segregate portfolio, UTI AMC shall issue a press release immediately informing investors of the same.

#### 5. Valuation and processing of subscriptions and redemptions

- a. Notwithstanding the decision to segregate the debt and money market instrument, the valuation shall take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.
- b. All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
  - i. Upon trustees' approval to create a segregated portfolio -
    - Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
    - Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
  - ii. In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.

#### 6. Disclosure Requirements

In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:

- a. A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.
- b. Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.
- c. The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
- d. The information regarding number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, UTI MF and AMFI websites, etc.
- e. The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery (ies), if any, shall be disclosed as a footnote to the scheme performance.
- f. The disclosures for above points (d) & (e) regarding the segregated portfolio shall be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.
- g. The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

#### 7. TER for the Segregated Portfolio

- a. UTI AMC will not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.
- b. The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.

Downgrade Security 8.21  
Valuation Marked Down  
Investor A is holding 1000

#### Total Portfolio

Security
7.73% A HOUSING FINANC
0% SRNCD B FINANCE LTD
7.65% C LTD.
8.21% X LTD.
NET CURRENT ASSETS
Net Assets
Unit Capital
NAV

\* Marked down by 25% on the 30th April 2019, NCD of 8.21%

#### Main Portfolio as on 30

Security
7.73% A HOUSING FINANC
0% SRNCD B FINANCE LTD.
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NET CURRENT ASSETS
Net Assets
Unit Capital
NAV

#### Segregated Portfolio as

Security
8.21% X LTD.
Net Assets
Unit Capital
NAV

#### Value of Holding of Inv The rationale for having a p

Main Portfolio
Segregated Portfolio

#### Exit Option

Existing unit holders, who are at the prevailing NAV with all the above schemes.

Kindly note that no action is to be taken by investors to attribute. The Exit option is

All other terms and conditions

This addendum No. 22/201

of the above scheme and shall

For UTI Asset Management

Sd/-  
Authorised Signatory

In case any further information

Mumbai - July 08, 2019

REGISTERED OFFICE: UTI To  
Company Ltd. (Investment Man  
For more information, please co  
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Mutual Fund In



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Haq, ek behtar zindagi ka

**NOTICE - CUM - ADDENDUM**

- c. The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by UTI AMC.
- d. The costs related to segregated portfolio shall in no case be charged to the main portfolio.

**8. Risk factors associated with Creation of Segregated Portfolio –**

- 1. Investor holding units of segregated portfolio may not able to liquidate their holding till the time recovery of money from the issuer.
- 2. Security comprises of segregated portfolio may not realise any value.
- 3. Listing of units of segregated portfolio in recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further trading price of units on the stock market may be significantly lower than the prevailing NAV.

**9. Monitoring by Trustees**

In order to ensure timely recovery of investments of the segregated portfolio, trustees would continuously monitor the progress and take suitable action as may be required.

In order to avoid mis-use of segregated portfolio, trustees will ensure to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

Given below is an illustration explaining the segregation of portfolio:

Portfolio Date 30-Apr-19

Downgrade Event Date 30-Apr-19

Downgrade Security 8.21% X Ltd from AA+ to B

Valuation Marked Down 25%

Investor A is holding 1000 Units of the Scheme, amounting to (1000\*15.4437) Rs.15443.7

**Total Portfolio**

Security	Rating	Type of Security	Quantity	Price Per Unit	Market Value (In Lakhs)	% of Net Assets
7.73% A HOUSING FINANCE LTD.	AA-	NCD	2990772	165.20	4940.76	31.99
0% SRNCD B FINANCE LTD.	AAA	DDB	2909540	157.00	4567.98	29.58
7.65% C LTD.	AAA	NCD	2996951	166.85	5000.41	32.38
8.21% X LTD.	B*	NCD	975413	83.46	814.08	5.27
NET CURRENT ASSETS					120.43	0.78
Net Assets					15443.66	100.00
Unit Capital					1000	
NAV					15.4436	

\* Marked down by 25% on the date of credit event. Before Marked down the security was valued at Rs.111.28 per unit on the date of credit event i.e on 30th April 2019, NCD of 8.21% X Ltd will be segregated as separate portfolio.

**Main Portfolio as on 30th April 2019**

Security	Rating	Type of Security	Quantity	Price Per Unit	Market Value (In Lakhs)	% of Net Assets
7.73% A HOUSING FINANCE LTD.	AA-	NCD	2990772	165.20	4940.76	31.99
0% SRNCD B FINANCE LTD.	AAA	DDB	2909540	157.00	4567.98	29.58
7.65% C LTD.	AAA	NCD	2996951	166.85	5000.41	32.38
NET CURRENT ASSETS					120.43	0.78
Net Assets					14629.58	
Unit Capital					1000	
NAV					14.6296	

**Segregated Portfolio as on 30th April 2019**

Security	Rating	Type of Security	Quantity	Price Per Unit	Market Value (In Lakhs)	% of Net Assets
8.21% X LTD.	B	NCD	975413	83.46	814.08	5.27
Net Assets					814.08	
Unit Capital					1000	
NAV					0.8141	

**Value of Holding of Investor A**

The rationale for having a provision for segregated portfolio in our debt schemes, are enumerated below:

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Investor A is holding 1000 Units of the Scheme, amounting to (1000\*15.4437) Rs.15443.7

**Total Portfolio**

Security	Rating	Type of Security	Quantity	Price Per Unit	Market Value (In Lakhs)	% of Net Assets
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Net Assets					15443.66	100.00
Unit Capital					1000	
NAV					15.4436	

\* Marked down by 25% on the date of credit event. Before Marked down the security was valued at Rs.111.28 per unit on the date of credit event i.e on 30th April 2019, NCD of 8.21% X Ltd will be segregated as separate portfolio.

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7.65% C LTD.	AAA	NCD	2996951	166.85	5000.41	32.38
NET CURRENT ASSETS					120.43	0.78
Net Assets					14629.58	
Unit Capital					1000	
NAV					14.6296	

**Segregated Portfolio as on 30th April 2019**

Security	Rating	Type of Security	Quantity	Price Per Unit	Market Value (In Lakhs)	% of Net Assets
8.21% X LTD.	B	NCD	975413	83.46	814.08	5.27
Net Assets					814.08	
Unit Capital					1000	
NAV					0.8141	

**Value of Holding of Investor A**

The rationale for having a provision for segregated portfolio in our debt schemes are enumerated below:

	No. Of units	NAV Rs.	Total Value in Lakh (Rs.)
Main Portfolio	1000	14.6296	14629.60
Segregated Portfolio	1000	0.81407	814.07
			15443.67

**Exit Option**

Existing unit holders, whose names appear in our records as on July 8, 2019, are given an exit option to redeem his/her existing units at the prevailing NAV without any exit load from July 9, 2019 to August 7, 2019 (both days inclusive), for a period of 30 days, under all the above schemes.

Kindly note that no action needs to be taken by you in this regard, if you desire to continue in the scheme with revised fundamental attribute. The Exit option is purely optional.

All other terms and conditions of the above Schemes shall remain unchanged.

This addendum No. 22/2019-20 is an integral part of the Scheme Information Document (SID) / Key Information Memorandum (KIM) of the above scheme and shall be read in conjunction with the SID / KIM.

For UTI Asset Management Company Limited

Sd/-  
Authorised Signatory

In case any further information is required, the nearest UTI Financial Centre may please be contacted.

**Mumbai - July 08, 2019**

**Toll Free No.: 1800 266 1230**

**Website: www.utimf.com**

**REGISTERED OFFICE:** UTI Tower, 'Gn' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Phone: 022 - 66786666. UTI Asset Management Company Ltd. (Investment Manager for UTI Mutual Fund) E-mail: invest@uti.co.in, (CIN-U65991MH2002PLC137867).

For more information, please contact the nearest UTI Financial Centre or your AMFI/NISM certified UTI Mutual Fund Independent Financial Advisor, for a copy of Statement of Additional Information, Scheme Information Document and Key Information Memorandum cum Application Form.

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

DNWeng 08.07.19