

SBI FUNDS MANAGEMENT PRIVATE LIMITED

Form ADV Part 2A - Disclosure Brochure
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SBI Funds Management Private Limited
191, Maker Tower 'E', Cuffe Parade,
Mumbai 400005, India

This Brochure provides information about the qualifications and business practices of SBI FUNDS MANAGEMENT PRIVATE LIMITED. If you have any questions about the contents of this Brochure, please contact us at 91 22 22180221. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SBI FUNDS MANAGEMENT PRIVATE LIMITED also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 3 – Advisory Business

Advisory Services and Fees

SBI Funds Management Private Limited ("SBI") provides investment management and advisory services to registered investment companies, high-net-worth individuals, private investors and institutional investors, with a focus on Indian securities. Portfolios offered in SBI separately managed accounts may be suitable for a wide variety of investors, but particularly for more conservative investors with long-term time horizons. Investors who may find the SBI investment approach appropriate for their portfolios include:

- Investors with long-term time horizons seeking growth of capital or a high level of current income.
- Investors seeking to invest in sound, well-managed companies that have long-term potential investments gains.
- Investors who wish not to be led by the market's irrational and emotional behavior and desire an easy-to-understand strategy for investing in the stock and bond markets.

SBI or its members or employees may buy or sell securities that it also recommends to clients. SBI may recommend to investment advisory clients or prospective clients the purchase or sale of securities.

SBI has a strict Code of Ethics under which Advisory Employees personal transactions are reviewed for compliance with the Code of Ethics and to help assure avoidance of conflicts of interest.

Item 4 – Fees and Compensation

SBI offers investment management and advisory services to clients who wish to invest in SBI's Mutual Fund, Offshore Fund and Portfolio Management & Investment Advisory businesses. SBI may receive advisory fees and/or management fees. SBI may further be reimbursed for certain operating and administrative expenses.

All services will be provided pursuant to written agreements, which permit either the client or SBI to terminate the relationship at any time upon receipt of written notice by the other party.

The minimum account size is \$100,000 for all PMS and investment advisory portfolios. SBI will not accept portfolios for an investor whose investment objectives are inconsistent with the SBI's philosophy and disciplines. SBI may enter into agreements with parties that have different minimum account sizes, and different account minimums and fees for existing clients.

Fees for separately managed accounts are based on a standard fee schedule according to the investment discipline selected in the Client Agreement. The management fees will be calculated on the basis of the specified percentage of assets being managed. Such fees will be payable quarterly in arrears and will be computed based on the value of the daily/weekly average assets under management at the end of each calendar quarter. Any significant contribution or withdrawal will be prorated based on the date the money was received. SBI will provide copies of the invoices to its clients. Invoices will show the amount of the fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

SBI reserves the right to negotiate fees when suitable. Some clients pay more or less than others depending on certain factors, including but not limited to, the type and size of the account, the historical or anticipated transaction activity, the range of additional services provided to the client or the amount of client relationship assets under management.

SBI may enter into an agreement with a Broker-Dealer or third-party Registered Investment Advisor in which SBI pays a set percentage of the client's management fee to the referring Broker-Dealer or third-party Registered Investment Advisor. Clients under these agreements will be charged the same standard fee rates as other SBI clients with the same portfolio investment style.

Item 5 – Performance-Based Fees and Side-by-Side Management

SBI does not charge performance-based fees. The term "performance-based fees" refers to fees based on a share of capital gains on, or capital appreciation of, a client's assets. SBI does not engage in side-by-side management.

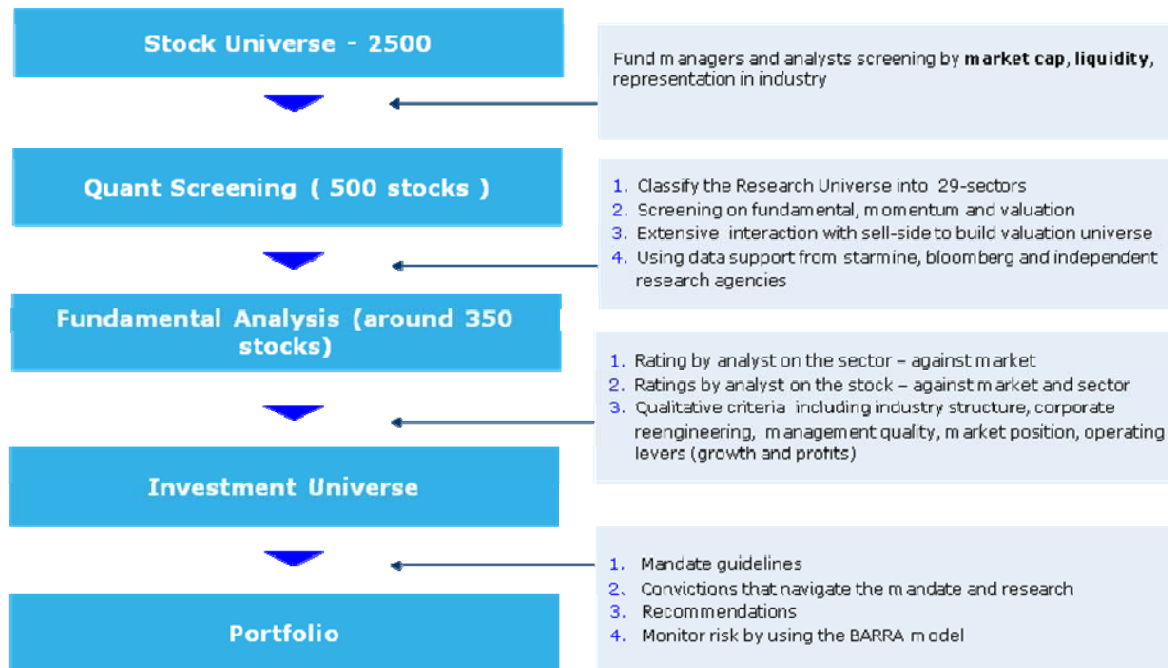
Item 6 – Types of Clients

SBI Funds Management Private Limited ("SBI") provides investment management and advisory services to registered investment companies, high-net-worth individuals, private investors and institutional investors, with a focus on Indian securities. Portfolios offered in SBI separately managed accounts may be suitable for a wide variety of investors, but particularly for more conservative investors with long-term time horizons. Investors who may find the SBI investment approach appropriate for their portfolios include:

- Investors with long-term time horizons seeking growth of capital or a high level of current income.
- Investors seeking to invest in sound, well-managed companies that have long-term potential investments gains.
- Investors who wish not to be led by the market's irrational and emotional behavior and desire an easy-to-understand strategy for investing in the stock and bond markets.

Item 7 – Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS



TYPES OF INVESTMENT

SBI may also purchase, recommend and provide advice on investment in fixed rate instruments, foreign securities (particularly Indian securities), money market and other financial instruments, derivative and hybrid instruments and any other interest in any of the foregoing.

INVESTMENT RISKS

Investing in securities involves risk of loss that clients should be prepared to bear. The material risks associated with the strategies discussed in this brochure are discussed below.

Market Risk:

Market risk refers to the risk related to investments in securities in general and the daily fluctuations in the securities markets. A client's investment is affected by many factors, including fluctuation in interest rates, the quality of the instruments in the client's investment portfolio, adverse national and international economic conditions and general market and economic conditions.

Equity Risk:

The value of equity securities can fluctuate — at times dramatically. The prices of equity securities are affected by various factors, including market conditions, political and other events, and developments affecting the particular issuer or its industry or geographic sector.

Management Risk:

The risk that SBI's judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security, investment manager or private equity investment may be incorrect. There is no guarantee that individual companies will perform as anticipated.

Small Cap and Mid Cap Company Risk:

Investments in small and mid capitalization companies involve greater risks than investments in larger, more established companies. These companies may not have the size, resources or other assets of large capitalization companies, and may experience higher growth and higher failure rates than do larger companies. Because they may have limited product lines and financial resources, small and mid capitalization companies also may be more vulnerable to economic, market and industry changes. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Foreign Investment Risk:

Foreign investing involves risks not typically associated with U.S. investments. These risks include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting a foreign country. In addition, foreign investing involves less publicly available information, and more volatile or less liquid securities markets. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws, and potential difficulties in enforcing contractual obligations. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

Sovereign Debt Risk:

Sovereign debt securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Emerging Markets Risk:

The securities markets in emerging market countries are less developed and less liquid, and may be subject to greater price volatility. These countries may have relatively unstable governments and deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws that could expose investors to risks beyond those generally encountered in developed countries. In addition, profound social changes and business practices that depart from norms in developed economies have hindered the orderly growth of emerging economies and their markets in the past and have caused instability. Countries in emerging markets are also more likely to experience high levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

Pooled Investment Risk:

Clients invested in hedge funds and other pooled investment funds will indirectly bear fees and expenses charged by the underlying investment funds. Clients also may incur brokerage costs when purchasing exchange traded funds and closed-end funds.

Interest Rate Risk:

Fixed income securities increase and decrease in value based on changes in interest rates. If interest rates increase, the value of fixed income securities will decline. Conversely, if interest rates decline, the value of fixed income securities generally increase. Securities with longer maturities tend to produce higher yields, but are more sensitive to changes in interest rates and are subject to greater fluctuations in value.

Credit Risk:

The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. This could result in a loss to the investor.

High Yield Securities Risk:

High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principal. High yield securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. These securities may be issued by companies which are highly leveraged, less creditworthy or financially distressed. Although these securities generally provide a higher yield than higher-rated debt securities, the high degree of risk involved in these securities can result in substantial or total losses. The market for high yield securities is generally less active than the market for higher quality securities and the market price of these securities can change suddenly and unexpectedly.

Government Securities Risk:

These securities may be backed by the credit of the government as a whole or only by the credit of the issuing agency. U.S. Treasury bonds, notes, and bills and some agency securities, such as those issued by the Federal Housing Administration and Ginnie Mae, are backed by the full faith and credit of the U.S. Government as to payment of principal and interest and are the highest quality government securities. Other securities issued by U.S. Government agencies or instruments, such as securities issued by the Federal Home Loan Banks and Freddie Mac, are supported only by the credit of the agency that issued them, and not by the U.S. Government. Securities issued by the Federal Farm Credit System, the Federal Land Banks, and Fannie Mae are supported by the agency's right to borrow money from the U.S. Treasury under certain circumstances, but are not backed by the full faith and credit of the U.S. Government. If an U.S. government agency or instrument defaults and the U.S. government does not stand behind the obligation, investors could lose money.

Counterparty Risk:

Similar to credit risk, counterparty risk refers to the risk that a party to a transaction will default on its obligations, resulting in missed or delayed payments.

Prepayment and Call Risk:

The issuer of mortgage-backed and asset-backed securities and other callable securities may repay principal in advance, especially when interest rates fall. When mortgages and other obligations are prepaid, a third party investment manager may have to reinvest in securities with lower yields. Some asset-backed securities also may be insufficiently collateralized.

Derivatives Risk:

Derivatives may be more sensitive to changes in economic or market conditions than other types of investments. The successful use of futures and options depends on the availability of a liquid secondary market to enable the position to be closed on a timely basis. There can be no assurance that such a market will exist at any particular time.

Structured Instrument Risk:

Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. Although structured instruments may be sold in the form of a corporate debt obligation, they may not have some of the protection against counterparty default that may be available with publicly traded debt securities.

Currency Risk:

Foreign currencies may fluctuate in relative value to the U.S. dollar, adversely affecting the value of an investment and its returns. Client assets are valued in U.S. dollars. Clients may lose money if the local currency of a foreign market depreciates against the U.S. dollar, even if the market value of the client's holdings appreciates.

Legal Risks:

Some investing strategies involve activities that may give rise to legal liabilities. For example, the owners of real estate or companies in the transportation, shipping, or construction industries may be liable for actual or potential harm to people, wildlife or the environment from, among other things, effluents, emissions, wastes, and resource depletion, arising out of or occurring in connection with a company's activities. Investors in such companies may see a decline in the value of their investment or may, in some cases, be held personally liable.

Liquidity Risk:

Liquidity risk exists when SBI is required to liquidate investments to meet a client's pension funding obligations. SBI may be required to sell a security at a disadvantageous time or at a price lower than it otherwise would expect to receive. In addition, certain investments, such as real estate and private funds, may be difficult to sell, thereby requiring SBI to sell liquid investments that it would otherwise wish to retain. Finally, when SBI liquidates a position to satisfy a client's pension funding obligation, the client foregoes any potential future appreciation in the value of the liquidated position.

Item 8 – Disciplinary Information

All material facts regarding any legal or disciplinary events that would be material to your evaluation of SBI or the integrity of SBI's management is available on the SEC's website at www.adviserinfo.sec.gov.

Item 9 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SBI may effect cross transactions, and when it does the following guidelines will be followed:

- a) The client must grant prior written authority to the company to engage in agency cross transactions.
- b) The company will disclose to the client in writing its capacity in the transaction and any conflicts of interest.
- c) The transaction is confirmed in writing.
- d) The company will provide the client with an annual summary of agency cross transactions.
- e) All client statements will disclose that the client may provide written notice at any time to terminate the agency cross transaction authority.

Item 10 – Brokerage Practices**Best Execution Policy**

SBI has a Best Execution Policy and reviews trades periodically to insure that the Policy is followed. "Best Execution" means that SBI will execute securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances. In assessing whether this standard is met, SBI will consider the full range and quality of the executing broker's services when selecting a

broker/dealer. This assessment will include, but not be limited to, the broker/dealer's: execution quality and capability; trading expertise; accuracy of execution; reputation and integrity; fairness in resolving disputes; order handling capacity; commission rates; financial responsibility; responsiveness; and the value of any research services provided.

SBI will use its best efforts to obtain information as to the general level of commission rates being charged by the brokerage community from time to time and evaluate the overall reasonableness of brokerage commissions to be paid on client portfolio transactions by reference to such data.

Receipt of research services from brokers may sometimes be a factor in selecting a broker whom SBI believes will provide quality executions of transactions at competitive commission rates. Receipt of other products or services from brokers will not be a factor in the selection or evaluation of brokers. The research services which will be a factor in the selection of brokers will include not only a wide variety of reports, charts, publications and data on such matters as economic and political strategy, account performance, credit analysis, stock and bond market conditions and projections, asset allocation and portfolio structure, but also meetings with management representatives of issuers and with other analysts and specialists. Research may be used for all clients of SBI and its affiliates. No client will be charged for the research.

Investment Discretion

SBI will make the determination as to the securities bought or sold using the discretionary authority granted to it by its clients. Fixed income securities will generally be purchased from the issuer or a primary market maker acting as principal on a net basis or in the secondary market with brokerage commission paid by the client. Such securities, as well as equity securities, may also be purchased from underwriters at prices that include underwriting fees.

Soft Dollar Policy

SBI may receive soft dollar arrangements for its services, though it has no such arrangements with respect to US-based clients. SBI may receive research-related benefits from various brokers, though it has no such arrangements with respect to US-based clients. However, there is no commitment (written or verbal) of commissions in order to receive the research benefits.

Proxy Voting Policy

SBI currently does not have a Proxy Voting Policy in place and stays neutral on voting issues. The voting issues arise large in small and medium companies where the investment manager normally talks to the management and eventually decide whether to continue or exit the holdings in the best interests of the investors.

Item 11 – Review of Accounts

Reviews: SBI reviews the holdings of the funds which it manages, as well as institutional and individual advisory accounts. Accounts will be reviewed on a continuing basis rather than on an arbitrary periodic schedule. Any development affecting the portfolio structure or an existing holding will trigger a review and appropriate action. A continuous day-to-day review will be made of securities held in the portfolios as well as a broad group of other securities in order to determine what changes, if any, should be made in the portfolios.

Reviewers: Each advisory client account will be reviewed by Advisory Employees, who will confer with the client in the development of appropriate investment objectives and guidelines for the account and supervise the investment of the account according to those specifications.

Reports: SBI issues periodic reports, no less frequently than monthly, to each investment advisory client. Each client receives monthly reports from their custodial clearing firm should there be activity in the client account during any given month.

Item 12 – Client Referrals and Other Compensation

Other than the compensation described in Item 5 – Fees and Compensation, SBI does not receive an economic benefit from anyone other than its clients for advisory services.

Item 13 – Custody

SBI does not provide custodial services to its clients. Client assets are held with banks, registered broker-dealers or other “qualified custodians.” Clients receive statements directly from the qualified custodians at least quarterly. Clients are urged to carefully review those statements and compare the custodial records to the reports provided by SBI. The information in SBI’s reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 14 – Investment Discretion

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Item 15 – Voting Client Securities

SBI currently does not have a Proxy Voting Policy in place and stays neutral on voting issues. The voting issues arise large in small and medium companies where the investment manager normally talks to the management and eventually decide whether to continue or exit the holdings in the best interests of the investors.

Item 16 – Financial Information

Registered investment advisers are required to provide clients with financial information or disclosures about their financial condition in this Item. SBI has no financial commitments that impair its ability to meet contractual and fiduciary commitments to its clients and has never been the subject of a bankruptcy proceeding.