

# SBI FUNDS MANAGEMENT PRIVATE LIMITED

Form ADV Part 2A - Disclosure Brochure

JUNE 28, 2019

SBI Funds Management Private Limited  
9<sup>th</sup> Floor, Crescenzo, C-38&39  
G Block, Bandra-Kurla Complex,  
Bandra (E), Mumbai – 400 051

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 6179 3000. 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](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

There were no material changes to this Brochure dated June 28, 2019, from the last annual update dated June 29, 2018. However, there were changes done in the below items providing elaborations, enhancements and clarifications throughout:

Item 4 – Advisory Business

Item 5 – Fees and compensation

Item 8 – Methods of Analysis, Investment Strategies and Risk of loss

Item 9 – Disciplinary Information

Item 10 – Other Financial Industry Activities and Affiliations

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Item 12 – Brokerage Practices

Item 17 – Voting Client Securities

### **Item 3 - Table of Contents**

Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	4
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients .....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9 – Disciplinary Information .....	11
Item 10 – Other Financial Industry Activities and Affiliations .....	12
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	12
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts .....	13
Item 14 – Client Referrals and Other Compensation.....	13
Item 15 – Custody.....	14
Item 16 – Investment Discretion .....	14
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information .....	14

## **Item 4 – Advisory Business**

### **Advisory Services and Fees**

SBI Funds Management Private Limited (SBIFM) is a private limited company incorporated under the Indian Companies Act, 1956 on February 7, 1992, having its Registered Office at 9th Floor, Crescenzo, C-38 & 39, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051. SBIFM is a joint venture between State Bank of India (SBI), one of the largest public sector banks in India and AMUNDI Asset Management (erstwhile Amundi S.A.), a leading European asset management company. SBI currently holds 63% stake in SBIFM and the balance 37% stake is held by AMUNDI Asset Management through a wholly owned subsidiary, Amundi India Holding.

SBIFM is as an Asset Management Company of SBI Mutual Fund as well as an Investment Manager to the Alternative Investment Funds (Category II & III AIF) set up in India and registered with Securities and Exchange Board of India (SEBI), the Indian securities regulator.

In addition to the investment management activity, SBIFM is undertaking portfolio management services (Registered as Portfolio Manager with SEBI), management and advisory services to off-shore funds & Category I & II Foreign Portfolio Investors (FPIs).

We are also registered as an Investment Adviser with Securities Exchange Commission (SEC) in USA.

SBIFM 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 SBIFM 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 SBIFM 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 fundamentally sound, well-managed companies that have long-term potential investments gains

SBIFM offers a discretionary strategy where the potential investor is given a brief about the portfolio strategy before investing. In retail mandates which we offer, the strategies are not tailored to specifically meet a client's individual financial needs. However, in institutional mandates we may tailor the strategies offered to suit client's requirements. The prospective client may choose to impose restrictions on investing in certain securities or types of securities. For example, stocks which derive a predominant portion of their revenue from Tobacco business might not be in the investible universe. Also, discretionary provident fund mandates impose severe restrictions on investment universe in terms of minimum credit rating, etc. and restricts asset allocation choices due to regulatory requirements.

As of March 31, 2019, SBIFM managed approximately \$236.7 million in assets on a discretionary basis and approximately \$5.7 billion in assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

SBIFM offers investment management and advisory services to clients who wish to invest in SBIFM's Mutual Fund, Offshore Fund and Portfolio Management & Investment Advisory businesses. SBIFM may receive advisory fees and/or management fees. SBIFM 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 SBIFM to terminate the relationship at any time upon receipt of written notice by the other party.

There is no standard fee schedule for institutional PMS. Fees are negotiated with clients individually. We charge fees as a percentage of assets or a fixed fee as well. Fees also include profit share above a certain threshold in a few mandates. Fees are generally paid quarterly in arrears and 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. SBIFM may deduct fees from client's assets or may bill clients for fees incurred. The client may choose either method. SBIFM will provide copies of the invoices to its clients.

SBIFM 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.

SBIFM may enter into an agreement with a Broker-Dealer or third-party Registered Investment Advisor in which SBIFM pays a set percentage of the client's management fee to the referring Broker-Dealer or third-party Registered Investment Advisor. Fees charged to the client may be unique for clients which would have come directly or through a broker-dealer.

In addition to our fees, each of the Funds and Private Account clients also separately incurs and pays certain expenses related to the management and operation of the Fund or Private Account, as applicable, as well as the purchase, sale, or transmittal of the client's assets that we manage. These expenses include, among other things:

- brokerage commissions and other investment transaction costs;
- custodial and sub-custodial fees;
- accounting, auditing, and other professional fees and expenses;
- legal fees (including fees charged to us for the benefit of the client);
- tax preparation fees;
- government fees and taxes;
- filing fees;
- costs of reporting;
- in the case of the Funds; costs of Fund governance activities (including but not limited to expenses such as Board meeting-related expenses and other expenses for obtaining director and shareholder consents); and fees paid to the Fund's administrator and the registrar

Please refer to "Item 12 - Brokerage Practices" below for more information about soft dollars, brokerage commissions and other transaction expenses.

#### **Item 6 – Performance-Based Fees and Side-by-Side Management**

Currently, SBIFM 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. SBIFM does not engage in side-by-side management.

#### **Item 7 – Types of Clients**

SBI Funds Management Private Limited ("SBIFM") 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 SBIFM 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 SBIFM 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 fundamentally sound, well-managed companies that have long-term potential investments gains.

The minimum account size is INR 25,00,000 (current USD equivalent = ~ \$35,800) \* for all PMS and investment advisory portfolios. SBIFM will not accept portfolios for an investor whose investment objectives are inconsistent with the SBIFM's philosophy and disciplines. SBIFM may enter into agreements with parties that have different minimum account sizes, and different account minimums and fees for existing clients.

(\* Reference Rate: 1 USD = 69.81 INR, as on May 31, 20198. Source: Reserve Bank of India)

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS AND PORTFOLIO CONSTRUCTION**

STOCK UNIVERSE – 2900	
SIZE SCREENING	STOCKS WITH MARKETCAP ABOVE MINIMUM THRESHOLD. THRESHOLD CHANGES WITH SIZE OF PORTFOLIO.
FUNDAMENTAL ANALYSIS	<ol style="list-style-type: none"> <li>1. SCREENING ON BUSINESS FUNDAMENTALS, AND VALUATION</li> <li>2. ANALYSTS STUDY FINANCIAL STATEMENTS, MEET INDUSTRY PARTICIPANTS, COMPANY MANAGEMENT, MAKE PROJECTIONS</li> <li>3. EACH ANALYST SPECIALISES IN 2-3 INDUSTRIES</li> <li>4. DATA SUPPORT FROM CAPITALINE, BLOOMBERG AND FACTSET</li> </ol>

INVESTMENT UNIVERSE (300-350 STOCKS)	<ol style="list-style-type: none"> <li>1. ACTIVE COVERAGE ON ABOUT 300 STOCKS. SECTOR RELATIVE RECOMMENDATION AND TARGET PRICE FOR STOCKS IN ACTIVE COVERAGE</li> <li>2. QUALITATIVE CRITERIA INCLUDING INDUSTRY STRUCTURE, BUSINESS MODEL, MANAGEMENT QUALITY, MARKET POSITION AND OPERATING LEVERS (GROWTH AND PROFITS)</li> <li>3. INTERNAL ANALYSTS RECOMMENDATION: RELATIVE TO SECTOR, UPSIDE</li> <li>4. FUND MANAGER INVEST BASED ON PORTFOLIO PHILOSOPHY</li> </ol>
PORTFOLIO	<ol style="list-style-type: none"> <li>1. CONVICTIONS THAT NAVIGATE THE MANDATE AND RESEARCH</li> <li>2. ANALYST RECOMMENDATIONS</li> <li>3. PORTFOLIO MANDATE AND RISK METRICS</li> <li>4. MONITOR RISK BY USING MSCI BARRA RISK TOOLS</li> </ol>

#### **OTHER TYPES OF INVESTMENT**

SBIFM 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. The mandate is managed based on the investment policy as communicated by the client.

#### **RISKS OF METHODS OF ANALYSIS**

Our judgment about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, or our approach may fail to produce the intended results. Our assessment of an investment may be wrong or, even if that estimate is correct, it may take a long time before investors realize a resulting gain. As a result, there is a risk of loss of the assets we manage that is out of our control. We seek to reduce your risk through diversification. Although we will do our best in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in your assets.

Additionally, in performing our analysis, we may use commercially available information services and financial publications, research materials prepared by various broker-dealers and other research developed by other third-party providers. Our methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT RISKS**

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

### ***Risk of Investing in Indian Securities:***

Emerging markets like India carry higher risk overall compared to developed markets. As such investors should be prepared for relatively higher volatility.

### ***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 SBIFM'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:***

While Government Securities generally carry relatively minimal credit risk since they are issued by the Government, they do carry price risk depending upon the general level of interest rates prevailing from time to time. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates decline, the prices of fixed income securities increase. The extent of fall or rise in the prices is a function of the coupon rate, days to maturity and the increase or decrease in the level of interest rates. The price-risk is not unique to Government of India Securities. It exists for all fixed income securities. Therefore, their prices tend to be influenced more by movement in interest rates in the financial system than by changes in the government's credit rating. By

contrast, in the case of corporate or institutional fixed income Securities, such as bonds or debentures, prices are influenced by their respective credit standing as well as the general level of interest rates.

Even though the Government Securities market is more liquid compared to other debt instruments, on certain occasions, there could be difficulties in transacting in the market due to extreme volatility leading to constriction in market volumes.

***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 SBIFM is required to liquidate investments to meet a client's pension funding obligations. SBIFM 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 SBIFM to sell liquid investments that it would otherwise wish to retain. Finally, when SBIFM 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 9 – Disciplinary Information

The details of pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by regulatory authority against SBI Funds Management Private Limited in a capacity of Investment Manager to the SBI Mutual Fund are mentioned below:

- a) The Securities and Exchange Board of India (“SEBI”) has initiated an investigation for the transactions in the shares of M/S Polaris Software Lab Limited, made during the period April 01, 2002 to May 31, 2002 by SBI Mutual Fund, having suspected SBI Mutual Fund of indulging in insider trading on account of proposed merger of M/S Orbi Tech Solutions with M/S Polaris Software Lab Limited, i.e. “unpublished price sensitive information” (“UPSI”) about Polaris under the SEBI (Prohibition of Insider Trading) Regulations, 1992. SBI Mutual Fund has denied having violated any insider trading regulation or the SEBI Act. SEBI had issued a show cause notice (“SCN”) on June 20, 2007 and SBI Mutual Fund has replied to SEBI on June 30, 2008. Since then, there has been no further communication on the matter from SEBI to date.
- b) SEBI has instituted adjudication proceedings in respect of selective disclosure of UPSI by Manappuram Finance Limited and has issued a SCN dated May 29, 2019 to SBI Funds Management Private Limited for alleged violation of Section 12A(d) and 12A(e) of SEBI Act, 1992 read with Regulation 3(i), 3A and 4 of SEBI (Prohibition of Insider Trading) Regulations, 1992 for trading in the stock of Manappuram Finance Limited during the period March 01, 2013 to March 20, 2013 by SBI Mutual Fund when in possession of UPSI. SBI Mutual Fund is in process of providing a suitable reply to the SCN.

### **Settlement order in the matter of M/s. Padmini Technologies Limited (“PTL”):**

Following are the details of settlement order issued by SEBI to SBI Funds Management Private Limited in its capacity of Investment Manager to SBI Mutual Fund:

SEBI had initiated an investigation into certain transactions in the shares of M/s. Padmini Technologies Limited (“PTL”), during the period 2000-2001, which included an inquiry into the investments made by SBI Mutual Fund in the shares of PTL. The Central Bureau of Investigation had also investigated various aspects of transactions in the shares of PTL which included investments by various schemes of SBI Mutual Fund during the period. A case was subsequently filed in the Sessions Court at Mumbai in 2006 against some ex-employees of the SBI Funds Management Private Limited (“SBIFM”). SBIFM, SBI Mutual Fund Trustee Company Pvt. Ltd. and SBI Mutual Fund are not parties to this case. The internal investigations conducted by the Chairman, Board of Trustees, SBI Mutual Fund, however, had ruled out any questionable intentions of SBI Mutual Fund in the matter.

Further, a show cause notice dated January 29, 2010 (“2010 SCN”) was received from SEBI in the matter and SBI Mutual Fund has replied to the show cause notice countering the allegations made by SEBI. SBI Mutual Fund had also made an application to SEBI to settle the matter through the consent process, i.e. on a no-fault basis, without accepting or denying guilt. The said consent proposal has not been accepted by SEBI vide its letter dated March 22, 2013. A subsequent SCN dated May 28, 2013 (“2013 SCN”) has been issued enclosing a copy of an enquiry report conducted again by a Designated Authority, recommending a prohibition on SBI Mutual Fund from launching any new mutual fund schemes for a period of 12 months. In terms of the opportunity made available in the 2013 SCN to avail the consent process, SBI Mutual Fund had filed a consent application which was returned by SEBI stating that the consent application by SBIFMPL shall not be reconsidered by SEBI.

Pursuant to Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (“Settlement Regulations”), SBI Mutual Fund had filed the consent application on March 14, 2017, without admission or denial of guilt, in full and final settlement of all proceedings.

In this connection, SBIFMPL has paid full settlement charges and agreed to undertake certain non-monetary settlement terms. SEBI through its settlement order dated September 28, 2018 has disposed the pending proceedings in the underlying matter of PTL.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

SBIFM is obligated to disclose if it, any of its related persons are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant, if such activities are material to SBIFM's advisory business. SBIFM is also obligated to disclose if it receives compensation from other advisers for recommending or selecting those advisers.

SBIFM may advise the purchase of securities where an affiliate of SBIFM serves as underwriter. However, all such advice / transactions shall be in line with Investment Policy / internal guidelines of SBIFM. Other than the foregoing, SBIFM does not have any other financial industry activities or affiliations to report. In addition, SBIFM does not receive compensation from other advisers for recommending or selecting them.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SBIFM 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. SBIFM will provide a copy of its Code of Ethics to any client or prospective client upon request.

SBIFM may buy/sell/ as well as advise the purchase/sale of securities under its various activities viz, mutual fund, PMS, AIF and management & advisory services to FPI I & FPI II clients that are recommended to the clients. To address any potential conflicts of interest from this practice, SBIFM and its employees may not trade in a manner that would be adverse or detrimental to client trades.

All personal trading transactions of employees are undertaken strictly in compliance with Code of Conduct and Employee Dealing Policy to avoid any conflict of interest. SBIFM has also implemented a Policy for Prevention and management of Conflict of Interest to address such types of conflicts, if any arises.

SBIFM may recommend securities to the clients which are already part of the investment made under various other advisory activities. Investments are made in the name of the respective schemes managed and SBIFM at no point of time intends to participate directly or indirectly in the management of the issuers.

SBIFM undertakes all transaction on arm's length basis and in the best interest of its investors / clients.

#### **Item 12 – Brokerage Practices**

##### **Best Execution Policy**

SBIFM has a Best Execution Policy and reviews trades periodically to ensure that the Policy is followed. "Best Execution" means that SBIFM 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, SBIFM 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.

SBIFM 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 will be a factor in selecting a broker whom SBIFM believes will also 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 SBIFM and its affiliates. No client will be charged for the research.

#### **Investment Discretion**

SBIFM 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**

SBIFM does not receive soft dollar arrangements for its services, and it has no such arrangements with respect to US-based clients. SBIFM may receive research-related benefits from various brokers. However, the research is used exclusively for the benefit of the Client accounts and there is no commitment (written or verbal) of commissions in order to receive the research benefits.

#### **Trade Aggregation**

There is an aggregation or bunching of Client trades for Indian Residents, though it has no such arrangements with respect to US-based clients. However, there is no preferential allocation given to any Client of Class of Clients in the event of a partial execution of any trade.

### **Item 13 – Review of Accounts**

**Reviews:** SBIFM 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:** SBIFM issues periodic reports, no less frequently than monthly, to each investment advisory client and are uploaded on our online portal. Each client receives monthly reports from their custodial clearing firm should there be activity in the client account during any given month.

### **Item 14 – Client Referrals and Other Compensation**

Other than the compensation described in Item 5 – Fees and Compensation, SBIFM does not receive an economic benefit from anyone other than its clients for advisory services. SBIFM does not in any way compensate any person for any client referrals.

### **Item 15 – Custody**

SBIFM 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 SBIFM. The information in SBIFM’s reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

SBIFM will make the determination as to the securities bought or sold using the discretionary authority granted to it by its clients through the client agreement and a power of attorney. 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. SBIFM’s brokerage practices are discussed in more detail in Item 12 – Brokerage Practices.

### **Item 17 – Voting Client Securities**

SBIFM also has a Proxy Voting policy which defines the principles that form the basis of all votes exercised by the company. If there is any specific request from a client to vote in a proxy, SBIFM may do so, in the manner as advised by the client. When voting proxies, SBIFM takes utmost care to ensure that all decisions are made solely in the interests of the funds/investors and with the goal of maximizing the value of their investments. However, SBIFM, at no point in time intends to participate directly or indirectly in the management of the companies.

SBIFM has adopted general guidelines for voting proxies. Corporate Governance issues are various and continuously evolving. The guideline set forth are not and cannot be a comprehensive survey of the proxy voting guidelines as all kinds of issues cannot be anticipated. Therefore, these guidelines rather reflect some of the principles that will generally be supported by SBIFM. However, SBIFM may exercise its discretion and act accordingly in some instances when it determines that based on the facts, it is in the best interest of the fund as a shareholder.

In case of conflict of interests, the Proxy Voting Committee of SBIFM will specifically review all such proposals and will take voting decisions in the best interest of clients. The Committee shall at all times have the discretion to decide to exercise a voting right or abstain from it. The Committee may also take an external opinion or refer the matter to the Executive Committee comprising of Senior Management.

This policy is uploaded on the website of SBIFM ([www.sbimf.com](http://www.sbimf.com)). Further, periodical disclosures pertaining to the exercise of votes cast are made available on the website of SBIFM ([www.sbimf.com](http://www.sbimf.com)).

### **Item 18 – Financial Information**

Registered investment advisers are required to provide clients with financial information or disclosures about their financial condition in this Item. SBIFM 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.