

IDFC Asset Management Company Limited

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INVESTMENT ADVISER REGISTRATION FORM ADV PART 2A: FIRM BROCHURE

This brochure provides information about the qualifications and business practices of IDFC Asset Management Company Limited. If you have any questions about the contents of this brochure, please contact at 91-22-66 289999 and/or via email at investor.services@idfc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about IDFC Asset Management Company Limited also is available on the SEC's website at www.adviserinfo.sec.gov. An investment adviser registered with the SEC does not imply a certain level of skill or training.

June 28, 2019

Item 2. Material Changes

Material changes carried out to the Firm Brochure on or after June 28, 2018, the last date the document was amended, are summarized here below:

Reference Item No.	Summary of Changes
Item no. 11	<u>Potential Conflicts Relating to Advisory Activities</u> Inserted information about the alternative investment funds.

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Item 4. Advisory Business

A. Introduction

IDFC Asset Management Company Limited (“IDFC AMC” or the “Adviser”) was originally incorporated as ANZ Grindlays Asset Management Company Private Limited (“ANZAM”) and set up by the Australia and New Zealand Banking Group. ANZAM was appointed by ANZ Grindlays Trustee Company Pvt Ltd (Trustee to ANZ Grindlays Mutual Fund) to act as Investment Manager to ANZ Grindlays Mutual Fund pursuant to the Investment Management Agreement dated January 3, 2000.

In 2001, Standard Chartered Bank acquired 75% of the equity share capital and 100% of the preference share capital of ANZAM, which was thereafter renamed as Standard Chartered Asset Management Company Private Limited (“SCAMC”).

On May 30, 2008, IDFC Limited acquired 100% of the equity and preference share capital of SCAMC then held by Standard Chartered Bank and other minority shareholders. Pursuant to this acquisition, SCAMC was renamed as IDFC Asset Management Company Limited.

On December 9, 2011, IDFC Limited sold a slightly greater than 25% equity stake in IDFC AMC to Natixis Global Asset Management Asia Pte Ltd (“NGAM Asia”).

NGAM Asia is a Singapore limited Company and a 100% indirect subsidiary of Natixis Global Asset Management (“NGAM”).

IDFC Limited is in receipt of a Banking License approval from Reserve Bank of India. One of the Banking License requirements is that IDFC Limited should transfer its holdings in financial services companies to a Non-Operative Financial Holding Company (“NOFHC”). Pursuant to the same, on July 9, 2015, IDFC Limited has transferred its holding in IDFC AMC to IDFC Financial Holding Company Limited, a NOFHC. IDFC Financial Holding Company Limited is a 100% subsidiary of IDFC Limited. Post such change in shareholding, IDFC Limited continued to have controlling interest in IDFC AMC.

On March 20, 2017, IDFC Financial Holding Company Limited acquired the entire shareholding held by NGAM Asia in IDFC AMC thereby making IDFC AMC its 100% subsidiary.

IDFC Investment Advisors Limited (a wholly owned subsidiary of IDFC AMC) has been merged into its holding company, IDFC AMC. In terms of the provisions of Companies Act in India, Hon’ble High Court of Bombay has, vide its order dated April 18, 2015, approved the merger application, notice of which has been given to the Registrar of Companies on June 22, 2015.

IDFC Investment Advisors Limited (“IDFC IA”) was registered with Securities and Exchange Commission (“SEC”) as an Investment Advisor (SEC File no.: 801-79981, CRD No.: 170336) on June 20, 2014. Pursuant to the merger as described above, IDFC AMC has registered itself with SEC as a successor to IDFC IA with effect from June 23, 2015.

Background of IDFC Limited:

IDFC Limited is a leading diversified financial institution providing a wide range of financing products and fee-based services with infrastructure as its focus area. The key businesses of IDFC Limited include project finance, principal investments, financial markets and investment banking, broking, advisory services and asset management.

Since 2005, IDFC Limited has built on the vision to be the “one firm” that looks after the diverse needs of infrastructure development. Whether it is financial intermediation for infrastructure projects and services, adding value through innovative products to the infrastructure value chain or asset maintenance of existing infrastructure projects, IDFC Limited focused on supporting companies to get the best return on investments. IDFC Limited remains actively involved in providing policy advice to the Government of India and the governments of various states in India and regulatory agencies. The company’s policy advisory function is independent of its business activities.

In April 2014, the Reserve Bank of India (“RBI”) granted an in-principle approval to IDFC Limited to set up a new bank in the private sector, as per the RBI Guidelines for Licensing of New Banks in the Private Sector. Subsequently, a Scheme of Arrangement was filed with the Madras High Court for Demerger of Financial Undertaking (the lending business of IDFC) to IDFC Bank. All the requisite approvals were obtained and the Madras High Court approved this Demerger by its Order dated June 25, 2015. IDFC Limited received the banking license/approval from the Reserve Bank of India to set up a bank and launched the IDFC Bank Limited on October 1, 2015. IDFC Bank comprises three distinct businesses, which are a commercial and wholesale bank, a rural bank and a personal and business bank. IDFC Bank is promoted by IDFC Limited. The equity shares of IDFC Limited and IDFC Bank Limited are listed on the National Stock Exchange of India Limited and the BSE Limited.

Post demerger of Financing Undertaking of IDFC Limited into IDFC Bank Limited, IDFC Limited is registered as Investment Company (NBFC – IC) with the Reserve Bank of India. IDFC Bank has been merged with Capital First Limited with effect from December 18, 2018. IDFC Bank is now known as IDFC FIRST Bank Limited.

Registration in India

IDFC AMC is registered with the Securities & Exchange Board of India (“SEBI”) in India as the investment manager to IDFC Mutual Fund (the “Indian Mutual Fund”). As a successor to IDFC IA, IDFC AMC acts as an investment manager to a registered Venture Capital Fund (the “IDFC SPICE Fund”), investment manager to a registered Alternative Investment Fund (IDFC India Equity Hedge Fund) and as a portfolio manager under the SEBI (Portfolio Managers) Regulation Act, 1993. IDFC AMC has also been permitted by SEBI to provide a range of non-discretionary investment advisory services to Investors including non-Indian clients who want to invest in India (the “Non-discretionary Advisory Services”). For Indian tax and regulatory reasons, IDFC AMC does not contemplate offering any services other than Non-discretionary Advisory Services to U.S. clients. The Indian Mutual Fund and the Portfolio Management Services (which provide the Non-discretionary Advisory Services and act as investment manager to IDFC SPICE Fund and IDFC India Equity Hedge Fund) are separately registered with SEBI, pursuant to which both businesses are separated. For more information about the segregation of the Non-discretionary Advisory Services, see *Item 11: Potential conflicts relating to advisory activities*.

B. Investment-Related Services

IDFC AMC offers a range of investment-related services to clients seeking to invest in India, including but not limited to the following:

Offerings to U.S. Clients

- (i) Non-discretionary Advisory Services. Under this arrangement, IDFC AMC shall for consideration provide investment advice relating to purchasing, selling or otherwise dealing in securities and advice on investment to clients or other persons or group of persons. The Non-discretionary Advisory Services are currently offered on an exclusively nondiscretionary and non-binding basis.
- (ii) Sub-advisory services to an affiliated investment manager.
- (iii) Advisory services to Managed Accounts.

Other Services Undertaken by IDFC AMC (which do not accept U.S. clients)

- (i) Investment Management Services to the Indian Mutual Fund. IDFC AMC is an investment manager to the various Mutual Fund Schemes offered by the Indian Mutual Fund, such as equity-focused, debt-focused, hybrid, and liquidity strategies.¹ The Indian Mutual Fund offers its investment strategies in a varied range of products catering to the different investment needs and risk appetites of investors.
- (ii) Investment Management Services to the Venture Capital Fund. IDFC AMC is an investment manager to the IDFC SPICE Fund, which is registered with SEBI as a Venture Capital Fund. IDFC SPICE Fund seeks to invest in entities located in India that participate in certain specified sectors through instruments including convertible and non-convertible debt instruments, subject to SEBI VCF Regulations.
- (iii) Investment Management Services to the Alternative Investment Fund. IDFC AMC is an investment manager to the IDFC India Equity Hedge Fund, which is registered with SEBI as an Alternative Investment Fund. IDFC India Equity Hedge Fund seeks to invest in domestic listed securities of various entities located in India such as shares, scrips, stocks, bonds, debentures and derivatives, subject to SEBI AIF Regulations.
- (iv) Portfolio Management Services (discretionary, nondiscretionary, and nondiscretionary advisory services)
 - a. Discretionary Portfolio Management Services – under this arrangement, IDFC AMC could exercise discretion as to the investment management of a portfolio of securities or funds of a client pursuant to a portfolio management contract.
 - b. Non-discretionary Portfolio Management Services – under this arrangement, IDFC AMC manages the funds in accordance with the discretion of the client. *IDFC AMC currently does not provide Non-discretionary Portfolio Management Services to any clients.*
 - c. Non-discretionary Advisory Services – under this arrangement, IDFC AMC provides non-binding investment advice to advisory clients based upon the advisory mandate.

¹ For purposes of Form ADV generally, including for purposes of the counting of clients in Part 1A, we have considered the Indian Mutual Fund as a single client and have not counted each strategy of the Indian Mutual Fund as a separate client.

C. Restrictions for Investments in Securities by Clients

The Non-discretionary Advisory Services business unit shall provide investment advice to clients in accordance with the investment objectives, guidelines, and restrictions specified in the investment mandate selected by the client.

Clients can provide restrictions on investing in certain securities and types of securities, which are adhered to at the time of providing investment advice.

D. Wrap Fee Programs

The Non-discretionary Advisory Services business unit does not participate in wrap fee programs.

E. Assets under Management

As on May 31, 2019, IDFC AMC manages the following AUM under its various services:

Services	AUM in US \$ (in million)
Discretionary (Indian Mutual Fund)	12,354.69
Discretionary (VCF)	25.92
Discretionary (AIF)	11.91
Discretionary (PMS)	11.82
Non-discretionary Advisory Services	0.00
Total	12,404.35

Item 5. Fees & Compensation

Fees and charges for services offered to US clients are specified in the applicable advisory agreement executed with each client. Fees could vary by investment objective, complexity, geographical location, services offered, account/relationship size, etc. To the extent permitted under applicable law, IDFC AMC can negotiate and charge performance fees, asset-based fees, or a combination of asset-based and performance fees.

For services offered to US clients, subject to agreement between IDFC AMC and the client, generally, the fee is calculated and accrued daily and billed on monthly or quarterly basis. However, such accrual

and billing cycles could vary from client to client. Depending on the arrangement, the fee can either be deducted from the fund/mandate assets or paid by client directly to IDFC AMC.

IDFC AMC does not perform or provide custody or fund administration services for any clients subject to the U.S. custody rules. Each U.S. client can designate or appoint its own custodian and/or fund administrator and such cost shall be borne by the client. Accordingly, a client shall send or cause its designated agent (custodian/fund administrator) to send IDFC AMC a statement of the value of the assets (including cash or cash equivalents) for the relevant month to allow IDFC AMC to calculate the applicable management fee. In a limited number of situations, clients can arrange to pay fees in advance. In the event of the termination of a relationship, unearned fees, if any, paid in advance will be refunded to the client. To the extent fees have been earned but not yet billed, such fees will be pro-rated and paid by the client upon termination. Neither IDFC AMC nor its personnel accept compensation in exchange for the sale of securities or other investment products.

Item 6. Performance Based Fees and Side-by-Side Management

With respect to services offered to U.S. clients, IDFC AMC can provide advice to one or more clients that are charged performance-based fees. IDFC AMC can advise both accounts that are charged a performance fee and accounts that are charged another type of fee such as asset-based fee.

Side-by-side management by the Adviser or its supervised persons who provide investment advisory services to one or more clients could raise potential conflicts of interest, including those associated with any differences in fee structures, as well as other pecuniary and investment interests the Adviser or its supervised persons could have in an account managed by the Adviser. The prospect of achieving higher compensation from a performance based fee account could provide IDFC AMC an incentive to favour such an account over others.

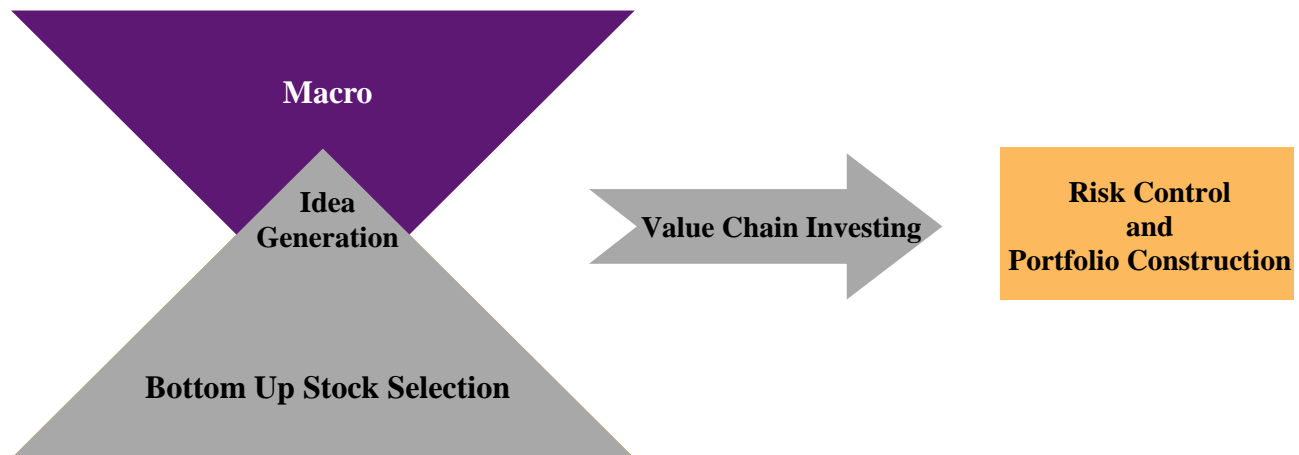
Item 7. Type of Clients

With respect to services offered to U.S. clients, IDFC AMC will provide advisory services to investors including but not limited to institutions, investment companies, pooled investment vehicles, or institutional investors in and/or outside United States. Such advisory services will generally be directed to clients who seek to invest in India.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The investment process and methodology is driven by disciplined fundamental research. Stock selection for investment advisory services is made through a combination of top down and bottom up approach and by concentrating on underlying shifts in the Indian economy at an early stage.

This enables IDFC AMC to create a portfolio of companies that are relatively undervalued and efficiently capture corporate profitability within the economy leading to superior portfolio performance.



➤ Top Down Thematic Approach

Thematic approach seeks to identify large shifts in capital across the Indian economy that would result in corporate profitability. Currently, the approach to investing in India, which has experienced two decades of being integrated into the world economy, is to track major trends in the Consumer, Investment and Outsourcing economies. We believe that the trends in these macro variables provide an effective means of tracking our investing universe of 500 companies (referenced by the S&P BSE 500 Index).

- **Consumer Economy** – Consumer spending is driven by the rising per capita income and low leverage.
- **Investment Economy** – Investment is driven by Government spending which is linked to the deficits of the fiscal policy.
- **Outsourcing Economy** – The opposite of the Investment Economy, Outsourcing builds its profitability and competitiveness with the devaluation of the currency, which, in turn, is the outcome of weak domestic macros.

Within these three segments, we believe that we are able to derive alpha through the complete market cycle.

➤ **Value Chain Investing**

The second core element in the investment process is to break down the sub-segments of these larger economic trends into value chains and track the progress of the individual components of such chains. IDFC AMC determines profit pools within such value chains and allocates capital to the companies that IDFC AMC believes will capture these profit pools, until their underlying profitability is eroded by competitive forces.

➤ **Bottom Up Stock Selection**

The third core element is stock selection to facilitate participation within the identified themes. This is achieved through fundamental company analysis, focusing on the following:

- Market Interest;
- Valuations;
- Corporate Structure and Management.

This approach endeavors to allocate capital to companies that capture significant profit and market share within their sectors and sub-sectors. We wish to incorporate the above process as a means to accomplish the end result. However, it does not necessarily imply that the end portfolio has to be derived through a top down approach. A lot of portfolios also originate when we find an element in the economy doing well, thus leading to a macro hypothesis.

Depending upon the prevailing market scenario, the management strategy could change. IDFC AMC seeks to ensure relatively low levels of trading in the portfolio. However, if IDFC AMC believes volatility in the market would negatively impact the portfolio, it could advise more frequent trading in the Portfolio. Under such scenario the client should understand that frequent trading could impact the performance, higher transaction (including brokerage) cost, and taxation impact.

➤ **Risk Control and Portfolio Construction**

As stated above, depending upon prevailing market conditions and client requirements, multiple strategies are followed to build each portfolio. The portfolios are aligned accordingly to the underlying sectors and sub-sectors.

Over all we use a core and satellite approach to build a portfolio. This approach involves focusing the core of the investment portfolio around stable businesses and rounding out the remainder with “satellites” consisting of companies with a growth matrix higher than the current market and stock

indices. The best ideas where we take execution risk on the portfolio are usually stocks which rank in the largest 10 through 20 of a Benchmark Index. IDFC AMC believes that such stocks usually end up comprising the top ten performers within the portfolio following the first cycle of portfolio building (i.e. around 5 years).

The predominance of our thematic approach is limited in different strategies (e.g., where portfolio construction is limited by its index, the maximum weighting at the beginning of the portfolio is in line with the strategy). Diversification within a theme is achieved by investing across the value chain of the theme / sector. Portfolios are aligned to companies which are industry leaders with higher shares of their respective industry profit pool. If the theme does not play through, the underlying company exposure should be such that the company remains solvent and relevant at the end of the cycle.

Quantitative systems are used to monitor the current investment ideas vis-à-vis the perceived levels of risk. These systems measure portfolio risk resulting from sector/stock concentration, macroeconomic risk on current investment themes, and the potential for broad asset class declines. Procedures are in place to measure credit and interest rate risk as well. Tracking error, Sharpe ratio, volatility of the portfolio and other performance measures are also constantly monitored. Checks are built into the system to measure exposure to certain sectors, stocks or family of stocks. Matlab, Morningstar and Bloomberg are used to design and enforce these risk tools to monitor and control the risks.

➤ **Investment Risks**

The risks involved for different client accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's account. An indicative list of the risks associated with investing through IDFC AMC is set out below:

- (i) **Market Risk:** The value of the portfolio could increase or decrease depending upon various market forces and factors affecting the capital markets such as de-listing of securities, market closure, or a relatively small number of scripts accounting for large proportion of trading volume. Consequently, IDFC AMC provides no assurance of any guaranteed returns on the portfolio.
- (ii) **Past Performance:** Past performance of IDFC AMC does not guarantee its future performance.
- (iii) **Price Risk:** The client stands a risk of loss due to lack of adequate external systems for pricing, accounting and safekeeping, or record keeping of securities. Price risk could arise on account of availability of share price from stock exchanges during the day and at the close of the day.

- (iv) Management Risk: Investment advice made by IDFC AMC could not always be profitable.
- (v) Equity and Equity-Related Risks: Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While IDFC AMC shall take all reasonable steps to advise clients to invest in such instruments in a prudent manner, such advice could not always prove to be profitable or correct. Consequently, the client shall assume any loss arising from such advice given by IDFC AMC.
- (vi) Macro-Economic Risks: Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, and changes in government policies and regulations with regard to industry and exports could have direct or indirect impact on the investments, and consequently the growth, of the portfolio.
- (vii) Liquidity Risk: Liquidity of investments in equity and equity-related securities are often restricted by factors such as trading volumes, settlement periods, and transfer procedures. If a particular security does not have a market at the time of sale, then the portfolio could have to bear an impact depending on its exposure to that particular security. While securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which could restrict the selling ability of such securities thereby resulting in a loss to the portfolio until such securities are finally sold. This risk could be higher where IDFC AMC invests a large portion of the portfolio in unlisted securities. Even upon termination of the Agreement, the client could receive illiquid securities and finding a buyer for such securities could be difficult. Further, different segments of the Indian financial markets have different settlement periods and such periods could be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the scheme are un-invested and no return is earned thereon. The inability of IDFC AMC to make intended securities purchases, due to settlement problems, could cause the portfolio to miss certain investment opportunities.
- (viii) Credit Risk: Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and could also be subject to the price volatility due to

such factors as interest sensitivity, market perception, or the creditworthiness of the issuer and general market risk.

- (ix) **Interest Rate Risk:** The value of investments in fixed income securities will appreciate/depreciate if the interest rates fall/rise, which depends on various factors such as government borrowing, inflation, economic performance, etc. Fixed income investments are subject to the risk of interest rate fluctuations, which could accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income securities can be expected to decline.
- (x) **Unforeseeable Events:** Acts of State or sovereign action, acts of nature, acts of war, and civil disturbances, or legal, tax, and regulatory changes could occur during the term of a client's investment that could adversely affect the investment. New or revised laws or regulations or interpretations of existing laws could be issued by Indian regulators or other governmental regulatory authorities or self-regulatory organizations that supervise the financial markets that could adversely affect the investment. Geopolitical and other events could disrupt securities markets and adversely affect global economies and markets and thereby decrease the value of and/or render illiquid a client's investments. Securities markets can be susceptible to market manipulation or other fraudulent trade practices, which can disrupt the orderly functioning of these markets or adversely affect the value of instruments traded in such markets, including a client's investments.
- (xi) **Reinvestment Risk:** This risk arises from the uncertainty in the rate at which cash flows from an investment can be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.
- (xii) **Non-Diversification Risk:** This risk arises when the portfolio is not sufficiently diversified by investing in a wide variety of instruments. As mentioned herein, IDFC AMC will attempt to maintain a diversified portfolio in order to minimize this risk.
- (xiii) **Geographic Concentration Risk:** IDFC AMC will provide Non-discretionary Advisory Services for investments in India. This could lead to concentration of portfolio in a Country and the performance could depend on the growth and performance of the Country.

- (xiv) Responsibility of IDFC AMC: IDFC AMC is neither responsible nor liable for any losses resulting from its services.
- (xv) No Guarantee: Clients are not being offered any guarantee / assured returns.
- (xvi) Currency Risk: U.S. clients investing in India can be subject to the risk that fluctuations in exchange rates can adversely affect the value of the clients' investments. Currency risk includes the risk that the non-U.S. currencies in which the clients' investments are traded in, in which the clients receive income, and/or in which the clients' have taken a position, will decline in value relative to the U.S. dollar.

***Note:** The above risks should not be considered to be an exhaustive list of the risks which investors should consider. Investors should be aware that an investment could be exposed to other risks of an exceptional nature from time to time. Accordingly, investors should be prepared to bear the risks of loss.*

Item 9. Disciplinary Information

- A) Neither IDFC AMC nor any of its employees has had any material civil or criminal actions brought against them.
- B) In case of IDFC Ltd., the sponsor of IDFC Mutual Fund, there was one instance of SGL bounce for which the Reserve Bank of India has imposed penalty of Rs.500,000 during the year ending March 31, 2013. IDFC Ltd. has paid the penalty to the Reserve Bank of India.
- C) Neither IDFC AMC nor any of our employees has had any material proceedings before a self-regulatory organization.

Item 10. Other Financial Industry Activities and Affiliations

- A) Neither IDFC AMC nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B) Neither IDFC AMC nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, or a commodity trading adviser.

Related persons of IDFC AMC are registered or file reports with the SEC/FINRA under various categories. Details of relationships with related persons that could be material to IDFC AMC's Non-discretionary Advisory Services or its clients are stated below.

No.	Name of the Related Person	Relationship with IDFC AMC* -	Type of Intermediary	SEC/FINRA No.
1	IDFC Capital (USA) Inc.	Group Company	FINRA Registered Broker Dealer	8-68685

* "Group Company" includes the holding company of IDFC AMC, i.e. IDFC Financial Holding Company Limited, its parent, IDFC, IDFC's other subsidiaries, and other companies where IDFC holds more than 25% of paid up capital or voting rights.

With respect to the Non-discretionary Advisory Services business unit, IDFC AMC does not presently enter into transactions with any of the above associates in the course of its providing services to its clients. However, IDFC AMC could in the future avail itself of the services of its associates on behalf of its clients. However, any such relationship would be only at arm's length and on purely commercial terms.

IDFC AMC is strictly governed by its conflicts of interest of policy that lays down the framework for dealing with associates and group companies. Given that associates/group companies are equipped to provide a number of services and investment products to clients of IDFC AMC, subject to applicable law and the conflicts of interest policy, clients of IDFC AMC could engage the services of its associates and group companies.

With respect to Non-discretionary Advisory Services, the Adviser does not presently enter into transactions with any of its related persons when acting on behalf of clients.

Given the interrelationships among the Adviser and its related persons and the changing nature of the Adviser's related persons' businesses and affiliations, there could be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from the Adviser's relationships and activities with its related persons is provided under Item 11.

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

A) Code of Ethics Summary

IDFC AMC has adopted a Code of Ethics which lays down guidelines and a framework to ensure that the interests of the Adviser's clients are paramount. The Code of Ethics requires all employees to conduct themselves in a lawful, honest and ethical manner in their business practices and to maintain an environment that fosters fairness, respect and integrity. The Code of Ethics requires employees to conduct themselves in such a manner as to avoid conflicts of interest or any abuse of an individual's position of trust and responsibility.

IDFC AMC believes its Code of Ethics contains provisions necessary and adequate to prevent and guide a wide range of activities by IDFC AMC and others with respect to conflicts of interest and personal trading activities. IDFC AMC's Code of Ethics sets out policies and a framework with respect to a range of key fiduciary topics, including the following:

- Fair Dealings with clients;
- Personal securities transactions of employees;
- Gifts and entertainment;
- Conflict of Interest and disclosure to clients;
- Confidentiality and Proprietary Information;
- Political Contributions;
- Compliance with law and regulation; and
- Business Conduct.

IDFC AMC's code of conduct for personal securities transactions, which is included in the Code of Ethics, requires employees to do the following:

- Submit opening holdings at the time of joining;
- Pre-clear certain personal securities transactions;
- Report personal securities transactions within 7 days of entering into the transaction;
- Submit their holding statement annually; and
- Report transactions by the employees include both direct as well indirect interest (e.g., spouse, children) acquired by any means (e.g., primary, inheritance, etc.).

A copy of the Code of Ethics of IDFC AMC will be provided to any client or prospective client upon request to investor.services@idfc.com.

B) Potential Conflicts Relating to Advisory Activities

IDFC AMC is a SEBI registered intermediary and offers various investment products to investors, including various Mutual Fund Schemes under the Indian Mutual Fund, to whom it offers asset management services. It is also registered with SEBI as a portfolio manager and investment manager for SEBI-registered venture capital funds. Under its Portfolio Management Services, IDFC AMC offers discretionary and nondiscretionary portfolio management services (although as of the time of this filing, IDFC AMC does not provide nondiscretionary portfolio management services to any clients) and non-discretionary advisory services.

IDFC AMC's different business units share common office space. However, as required under SEBI Regulations, the operations of the business units that manage the Indian Mutual Fund and Portfolio Management Services, which includes the Non-discretionary Advisory Services, are separated from each other by a variety of information barriers (the "Chinese Walls"). The Chinese Walls include employing separate investment and back-office personnel for each business unit and allocating separate building space and trading rooms (if relevant) access to which has been limited only to appropriate personnel. IDFC AMC also provides each business unit with separate, access-controlled servers and separate communication systems to keep information about client accounts, positions separate from the other business units.

In addition, IDFC AMC acts as the Investment Manager of alternative investment funds. IDFC AMC cannot serve as a sponsor to the alternative investment funds. Furthermore, in situations of unavoidable conflicts of interest, IDFC AMC shall make adequate disclosures to investors of sources of conflict, potential 'market risk or damage' to the investors' interest, and develop parameters for the same. The Adviser shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflict of interest on a continuous basis throughout the term of the alternative investment funds. Such conflicts shall be endeavoured to be managed as per the provisions of the Contribution Agreement. The Adviser and the Trustee, will endeavour to resolve all such conflicts in a fair, reasonable and equitable manner and considering the best interest of the Fund, or disclose Conflicted Transaction to the Unit Holders as provided above. However, there can be no assurance that any such resolution will be in the manner most favourable to the Fund and the Contributors / Unit holders.

There could arise potential or actual conflicts of interest on account of the following:

- The investment by clients in entities in which IDFC AMC or its related persons have a financial interest,

and

- Investments by the Adviser or its employees for their personal accounts.

A policy on management of conflict of interest has been set in place to ensure all such transactions take place only on an arms-length basis and in the best interest of the unitholder. The Adviser has no obligation to provide the same investment advice, or to purchase or sell the same securities for each account it manages. In general, with respect to accounts over which it has discretionary authority, the Adviser has discretion to determine whether a particular security is an appropriate investment for each account under management, based on the account's investment objectives, investment restrictions and trading strategies.

If such participation is in accordance with IDFC AMC's policies and applicable law, and the transaction is at arms-length, IDFC AMC could from time to time purchase securities (or advise clients to purchase securities, when IDFC AMC does not have discretionary authority) in public offerings or secondary offerings on behalf of client accounts in which a related person could be a member in the underwriting syndicate.

In connection with providing investment management and advisory services to its clients, the Adviser acts independently of other affiliated investment advisers and manages the assets of each of its clients in accordance with the investment mandate selected by such clients.

Related persons of the Adviser are engaged in securities transactions. The Adviser or its related persons could invest in the same securities that the Adviser recommends for, purchases for, or sells to the Adviser's clients. The Adviser and its related persons (to the extent they have independent relationships with the client) could give advice to and take action with their own accounts or with other client accounts that could compete or conflict with the advice the Adviser could give to, or an investment action the Adviser could take on behalf of, the client or could involve different timing than with respect to the client. Since the trading activities of IDFC AMC and its related persons are not coordinated, each firm could trade the same security at about the same time, on the same or opposite side of the market, thereby possibly affecting the price, amount or other terms of the trade execution, adversely affecting some or all clients. Similarly, one or more clients of the Adviser's related persons could dilute or otherwise disadvantage the price or investment strategies of another client through their own transactions in investments. The Adviser's management on behalf of its clients could benefit the Adviser or its related persons. For example, clients could, to the extent permitted by applicable law, invest directly or

indirectly in the securities of companies in which the Adviser or a related person, for itself or its clients, has an economic interest, and clients, or the Adviser or a related person on behalf its client, could engage in investment transactions which could result in other clients being relieved of obligations, or which could cause other clients to divest certain investments. The results of the investment activities of a client of the Adviser could differ significantly from the results achieved by the Adviser for other current or future clients. Because certain of the Adviser's clients could be related persons, the Adviser could have incentives to resolve conflicts of interest in favor of certain clients over others (e.g., where the Adviser has an incentive to favor one account over another); however, the Adviser has established conflicts of interest policies and procedures to identify and manage such potential conflicts of interest.

Potential conflicts could be inherent in the Adviser's and its related persons' use of multiple strategies. For instance, conflicts could arise where the Adviser and its related persons invest in distinct parts of an issuer's capital structure. Moreover, one or more of the Adviser's clients could own private securities or obligations of an issuer while a client of a related person could own public securities of that same issuer. For example, the Adviser or a related person could invest in an issuer's senior debt obligations for one client and in the same issuer's junior debt obligations for another client. In certain situations, such as where the issuer is financially distressed, these interests could be adverse. The Adviser or a related person could also cause a client to purchase from, or sell assets to, an entity in which other clients could have an interest, potentially in a manner that will adversely affect such other clients. In certain instances, the Adviser could recommend clients securities where certain Affiliates / related person could have proprietary (ownership) interest. In other cases, the Adviser on behalf of its clients could receive material non-public information ("MNPI") on behalf of some of its clients, which could prevent the Adviser from buying or selling securities on behalf of other of its clients even when it would be beneficial to do so. Conversely, the Adviser could refrain from receiving MNPI on behalf of clients, even when such receipt would benefit those clients, to prevent the Adviser from being restricted from trading on behalf of its other clients. In all of these situations, the Adviser or its related persons, on behalf of itself or its clients, could take actions that are adverse to some or all of the Adviser's clients. The Adviser will seek to resolve conflicts of interest described herein on a case-by-case basis, taking into consideration the interests of the relevant clients, the circumstances that gave rise to the conflict and applicable laws. There can be no assurance that conflicts of interest will be resolved in favor of a particular client's interests. Moreover, the Adviser typically will not have the ability to influence the actions of its related persons.

In addition, certain related persons of the Adviser could engage in banking or other financial services, and in the course of conducting such business, such persons could take actions that adversely affect the Adviser's clients. For example, a related person engaged in lending could foreclose on an issuer or security in which the Adviser's clients have an interest. As noted above, the Adviser typically will not have the ability to influence the actions of its related persons.

The Adviser from time to time purchases securities in public offerings or secondary offerings on behalf of client accounts in which a related person could be a member in the underwriting syndicate. Such participation is in accordance with IDFC AMC's policies and applicable law, which require that any transaction with related persons should be at prevailing market prices and at an arm's length basis. IDFC AMC is required to ensure that the transactions are in the best interest of the clients and it meets their stated objective and is supported by appropriate research recommendations and rationales duly recorded.

Item 12. Brokerage Practices

1) Research and Other Soft Dollar Benefits

IDFC AMC does not have any discretion over selection of any broker for execution of transaction by clients of the Non-discretionary Advisory Services business, and does not execute any transactions on behalf of such clients.

IDFC AMC's discretionary services do use brokers, although IDFC AMC does not provide these services to non-Indian clients, including U.S. clients. Any deals executed for a client are reviewed pursuant to IDFC AMC's Best Execution Policy. Best execution does not mean paying the lowest possible commission fee, but rather it means that a trade is executed based on consideration of principles including, but not limited to, the client's investment objective and constraints, the broker's execution capability, speed of execution, commission rate, financial responsibility, and responsiveness to IDFC AMC.

IDFC AMC carries out a post execution review by comparing the trade price against the day's average prices of the security. If the difference between the recommended / trade price and the weighted average price is more than 5% of the weighted average price, the trade is reported for review.

Soft dollar arrangements, if any, are restricted to:

- ✓ Receiving research reports, analysis or advice with respect to any security / industry / macro level from the broker(s), which are provided by the broking house on a mass distribution level to its institutional clients; and
 - ✓ Receiving support in arranging for meetings with corporate, analysts or investors (could be specifically for IDFC AMC or across institutional clients), where the cost pertaining to IDFC AMC officials is borne by IDFC AMC.
- 2) Brokerage for Client Referrals
- IDFC AMC does not receive brokerage fees or commissions from any broker-dealer for referring clients to such broker-dealer.
- 3) Directed Brokerage
- IDFC AMC does not practice or conduct direct brokerage for clients of its Non-discretionary Advisory Services business.

Item 13. Review of Accounts

The Adviser reviews the investment portfolios of its clients with respect to the clients' investment objectives and policies, limitations on the types of instruments in which each of its clients could invest, and concentration of investments in particular industries or types of issues. There is no general rule regarding the number of accounts assigned to a portfolio manager.

The frequency, depth, and nature of reviews occur pursuant to the terms of each client's written investment management agreement or by the mandate selected by the client and the particular needs of each client.

Item 14. Client Referrals and Other Compensation

With respect to its Non-discretionary Advisory Services, IDFC AMC and/or its related persons have entered into referral fee arrangements to compensate affiliated/non-affiliated third parties for referring or otherwise recommending its Non-discretionary Advisory Services to potential clients. Such referral fees or compensation could include, in addition to the specified percentage of advisory fees and fixed fees, reimbursement of other expenses that the other party could incur while providing service to IDFC AMC, among other arrangements.

Any such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

Item 15. Custody

With respect to the Non-discretionary Advisory Services business, IDFC AMC does not provide any custodial services. Assets of advisory clients shall be held by a qualified custodian who will be determined by the client and will provide a statement of the holdings of securities and funds held on behalf of the clients on periodic basis. Clients should review and reconcile the securities and fund balances on receipt of the statement from the custodian.

Item 16. Investment Discretion

IDFC AMC accepts and conducts Non-discretionary Advisory Services for its clients only upon the execution of an Advisory Agreement. The Advisory Agreement governs certain kinds of operations, investment objectives, and restrictions, and certain compliance requirements, as well as any other arrangements that the clients and IDFC AMC can agree upon. Nonetheless, pursuant to SEBI regulations, IDFC AMC may not hold any discretionary rights over a client's portfolio under an Advisory Agreement entered into under their Non-discretionary Advisory Services registration.

Item 17. Voting on Client Securities/ Proxy Voting Policy

With respect to the Non-discretionary Advisory Services business, IDFC AMC has a Proxy Voting Policy and in accordance with its policies will advise the clients to vote against matters which are detrimental to the interest of investors. Under such circumstances clients can exercise their vote by assigning Proxy to its designated custodian.

Item 18. Financial Information

This item is not applicable.

Item 19. Requirements for State-Registered Advisors

This item is not applicable.

USD conversion rate of 69.6800 INR = 1 USD has been considered for statistics given in this document.
Source: Website of Foreign Exchange Dealers Association of India (FEDAI) – www.fedai.org.in, dated May 31, 2019