ADDENDUM

THIS ADDENDUM DATED 27th DECEMBER, 2008 SETS OUT THE CHANGES TO BE MADE IN THE OFFER DOCUMENT AND KEY INFORMATION MEMORANDUM OF JM EQUITY & DERIVATIVE FUND W.E.F 2nd FEBRUARY,2009 AFTER CONVERSION TO JM NIFTY PLUS FUND (EQUITY SCHEME)

JM Equity & Derivative Fund was launched as an income oriented interval scheme in February 2005. The Scheme currently offers 3 investment options to the investors viz. Dividend, Growth and Bonus.

The investment objective of scheme is to generate income through arbitrage opportunities emerging out of mis-pricing between the cash market and the derivatives market and through deployment of surplus cash in fixed income instruments. However, there can be no assurance that the investment objective of the scheme will be realized. The scheme does not guarantee/indicate any returns

The Board of Directors of JM Financial Asset Management Private Limited and the Board of Directors of JM Financial Trustee Company Private Limited have accorded their approval for changing the name, investment objective and asset allocation of JM Equity & Derivative Fund as well as the consequent change from a income oriented interval scheme to an open ended equity scheme, vide their respective Circular resolutions dated 25th November, 2008.

Effective 2nd February, 2009, the following changes would be carried out in the Offer Document of JM Equity & Derivative Fund.

1. New Name of the Scheme : JM Nifty Plus Fund

2. Type of Scheme : An open ended equity Scheme

3. The investment objective of the JM Nifty Plus Fund would be as under:

The Investment objective of the scheme will be to generate investment returns by predominantly investing in S & P CNX Nifty Stocks and Nifty and its 50 constituents in the same weightages as its composition and through deployment of surplus cash in debt and money market instruments and derivative instruments.

4. The asset allocation pattern of JM Nifty Plus Fund would be

Under normal circumstances the asset allocation of the Scheme would be

Security	**Maximum Exposure %**	**Risk Profile**
Investment in Equity (Nifty Stock)	65 – 100	High
Nifty Futures	35 - 100	High
Nifty Options, Pair Strategies & Cash Future Arbitrage	0 - 25	Medium to High
Debt including FD for derivatives Exposure	0 – 35	Low to Medium

The notional value of derivatives shall not exceed the AUM of the scheme.

5. Investment Strategy

The JM Nifty Plus will be a fund, where the scheme will endeavor to provide returns better than the benchmark. Hence the Fund will at all times be deployed with a minimum of 65% and maximum upto 100%

of the corpus into Nifty 50 shares, in the same weightages as its composition thus maintaining the equity status of the Fund.

Besides that in times when there are good investment opportunities, the following strategies may be followed which will endeavor to provide additional returns :

a) **Arbitrage opportunities:** Normally in a range bound market when there is no clarity on the trend of the market, good arbitrage opportunities are available many a times. If such an opportunity exists, the scheme may deploy some of its surplus, if any, into such arbitrage opportunities. However all arbitrage trades will be completely hedged at all times, thus ensuring that the trade does not carry any market & price volatility risk.

b) **Ratio/Spread Trades:** Historically, it has been observed that stocks in the same sector have a similar trading pattern. However, due to certain market factors they tend to deviate from the mean at times. It has been also observed that they tend to return back to the mean in due course. This is the time when one can gain out of this opportunity. This is a conservative strategy and tends to give decent returns to the scheme.

Apart from the above, the following strategies may also be looked upon as and when the opportunities arise:

Buyback opportunities announced by Corporates. Many times Corporates announce a buyback policy of their own shares at a price which is fairly higher than the then trading market price.

Depending on the free float of the equity shares, the scheme may deploy some money into such investment opportunities. In July 2008, Idea limited , acquired 41% stake of Spice communications Ltd. and announced a 20% buyback of the balance equity shares @ Rs 77.30 , while the then market price was approx @ Rs70.00 . There was a clear 10% returns opportunity. It became a risk free trade as its largest shareholder Telekom Malaysia who held 39% of equity refused to tender its shares in the buyback. Thus only 20% of the balance shares were left under the buyback.

Option Strategies : The scheme may also look to deploy some of its surplus funds in options strategies if there are any good opportunities . Strategies like covered calls, calendar spreads, volatility arbitrage etc are some of the strategies that may be invested into. The duration of these strategies would be short term because of the nature of the derivatives products.

6. Investment Options

Consequent to the conversion of JM Equity & Derivative Fund into a equity scheme, the Scheme would offer the investors, 2 investment options viz. the Growth and Dividend Options where both the options under the Scheme will have same portfolio.

Investors are requested to indicate their preference while investing in the Scheme**. In case an investor fails to specify his preference, he shall be deemed to have opted to select the Growth Option.**

Dividend Option shall offer investors the facilities of : (a) Dividend Payout and (b) Dividend Reinvestment. Under dividend reinvestment, dividends declared will be reinvested into the Plan / Scheme. **In case an investor fails to specify his/her sub-option preference under dividend option, he/she shall be deemed to have opted to select the dividend reinvestment option.** However, in case the dividend payable to any unit holder is below Rs. 100/- then the same may be automatically reinvested. The remaining investors under Bonus Plan who do not redeemed/ switch out/ opt for specific option of the converted scheme, will automatically be compulsorily shifted to Dividend Reinvestment option of JM Nifty Plus Fund

The scheme will adhere to the requirements of SEBI Circular no. SEBI/IMD/Circ. No. 10/22701/03 dated December 12, 2003 read with SEBI Circular no. SEBI/IMD/Circ. No. 1/42529/05 dated June 14,2005 and subsequent relevant circulars issued on minimum number of investors and maximum permissible holding by single investors at the time of conversion/ within three month from the date of conversion if this criteria could not be met on the date of conversion or the end of the succeeding calendar quarter from the date of conversion, whichever is earlier.

7. Load structure – There will no entry load when the investors shift from the existing scheme to the converted scheme. However, after the conversion of the Scheme, the exit load as applicable on the date of conversion, will be charged, if the units are redeemed/switched out with in the applicable lock in period set out in the table below. . The start date will be calculated w.e.f. 2nd February, 2009.

The normal load structure of equity schemes is as under and will also be applicable to the converted scheme

Particulars	**Entry Load**	**Exit Load**
In case of investments < Rs. 3 crores	2.25%	1% if redeemed within 1 year of allotment / transfer/ conversion of units
In case of investments > = Rs. 3 crores	Nil	0.5% if redeemed within 3 months of allotment/transfer/conversion of units
In case of investments made through Systematic Investment Plan	2.25%	1% if redeemed within 1 year of allotment / transfer of units of respective installments.
In case of Systematic Transfer Plan	Nil	2.25% if redeemed within 2 years of allotment/transfer of units of respective installments

8. **Benchmark:-** The Benchmark of the scheme would be – S&P CNX Nifty Index

9. Applicable NAV:

i) For Purchases and Switch Ins

In respect of valid applications received upto 3 p.m. by the Mutual Fund along with a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the day on which application is received shall be applicable.

In respect of valid applications received after 3 p.m. by the Mutual Fund along with a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the next business day shall be applicable.

However, in respect of valid applications with outstation cheques/ demand drafts not payable at par at the place where the application is received, closing NAV of the day on which cheque/demand draft is credited shall be applicable.

ii) For Redemptions and Switch Outs

In respect of valid applications received upto 3 p.m. by the Mutual Fund, same day's closing NAV shall be applicable.

In respect of valid applications received after 3 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable.

It is clarified that the cut off timings will also be applicable to investments made through "sweep" mode.

10. **Minimum Amount for investments** under each option of the scheme minimum amount for investment would be Rs. 5,000/- and in multiples of any amount thereafter. For ongoing additional investments in

an existing folio, in each of the respective options the additional investment would be Rs.1000/- and in multiples of any amount thereafter.

11. **Minimum Amount for Redemptions** Minimum redemption from existing Unit Accounts would be Rs. 500 or 50 units. Any redemption in excess thereof may be in multiples of Re.1 subject to keeping minimum balance of 500 units.

    The Fund reserves the right to redeem the entire amount lying to the credit of the Unitholder's account if

    - after redemption, the amount lying to the credit of the Unitholder's account falls below the minimum balance; or
    - the redemption request amount exceeds the balance lying to the credit of the Unitholder.

12. **SIP/STP/SWP:** JM Nifty Plus Fund will also have SIP/STP/SWP facilities and will have same provision as in other equity oriented schemes.

13. Tax Benefits

TAX TREATMENT OF INVESTMENTS IN EQUITY ORIENTED FUNDS

The following tax benefits are available to investors and the Fund under the present taxation laws. The information set forth below is based on the advice of the Fund's tax advisor and is included for general information purposes only. The information set forth below reflects the law and practice as of date of this Offer Document. Investors/ Unit holders should be aware that the relevant fiscal rules or their interpretation may change. There is a possibility that the tax position prevailing at the time of an investment in the Scheme can change thereafter. Mutual Fund will pay / deduct taxes as per tax law applicable on relevant date. The investor will have not have any recourse in case of additional tax liability imposed due to changes in the tax structure in the future.

It may be noted that investors/ unitholders are responsible to pay their own taxes. Investors/ unitholders should consult their own tax advisor with respect to the tax applicable to them for participation in the scheme.

i. TAX BENEFITS TO THE MUTUAL FUND

JM Financial Mutual Fund is a Mutual Fund registered with the Securities and Exchange Board of India and hence the entire income of the Fund will be exempt from income-tax in accordance with the provisions of Section 10(23D) of the Income-tax Act, 1961 (the Act). The Fund is entitled to receive all income without any deduction of tax at source under the provisions of Section 196(iv), of the Act.

An equity oriented Fund is not required to pay any Income Distribution Tax u/s 115R of the Act.

ii. TAX BENEFITS TO THE UNITHOLDERS

INCOME TAX

As per Section 10(35) of the Act, any income other than capital gain received in respect of units of a mutual fund specified under Section 10(23D) will be exempt from income-tax in the hands of the unitholders.

CAPITAL GAINS TAX

LONG TERM CAPITAL GAINS ON TRANSFER OF UNITS

Under Section 10(38) of the Act, long term capital gains arising on sale of units of equity oriented funds are exempt from income tax in the hands of Unit holders, provided STT is charged on such sale by the Mutual Fund.

SHORT TERM CAPITAL GAINS ON TRANSFER OF UNITS

Section 111A of the Act provides that short-term capital gains arising on sale of units of equity oriented funds are chargeable to income tax at a concessional rate of 15% plus applicable surcharge, education cess and secondary and higher education cess as applicable, provided STT is charged on such sale by the Mutual Fund. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

CAPITAL LOSSES

Losses under the head "Capital Gains" cannot be set off against income under any other head. Further within the head "Capital Gains", long term capital losses cannot be adjusted against short term capital gains. However, short term capital losses can be adjusted against long term capital gains.

Under Section 10(38) of the I.T. Act, long-term capital gains arising on sale of units of an equity oriented fund are exempt from Income Tax provided certain conditions are fulfilled. Hence, losses arising from such type of transaction of sale of units of Equity Oriented Fund would not be eligible for set-off against taxable capital gains.

Unabsorbed short-term capital loss can be carried forward and set off against the income under the head Capital Gains in subsequent eight assessment years.

According to Section 94(7) of the I.T. Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Income Tax Act, will be ignored for the purpose of computing his income chargeable to tax.

Further, Sub-section (8) of Section 94 provides that, where bonus Units have been issued to any person, on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of bonus units and sold within nine months from such record date. However, the loss so ignored shall be considered as cost of acquisition of such bonus units held on the date of sale by such person.

TAX DEDUCTION AT SOURCE

FOR INCOME IN RESPECT OF UNITS:

As per the Proviso to Section 196A(1) of the Act, no tax shall be deducted at source from any income credited or paid to non-resident unitholders in respect of units of a mutual fund specified under Section 10(23D) of the Act. Similarly as per the provisions of Section 194K of the Act, no tax should be withheld or deducted at source where any income is credited or paid by a mutual fund to a resident unitholders.

FOR CAPITAL GAIN

(a) In respect of Resident Unit holders :

No tax is required to be deducted at source on capital gains arising to any resident Unit holder (under section 194K) vide circular no. 715 dated August 8, 1995 issued by the Central Board for Direct Taxes (CBDT)..

(b) In respect of Non- Resident Unit holders:

As per the provisions of Section 195 of the Act, tax is required to be deducted at source from the redemption proceeds paid to investors; this withholding is in addition to the securities transaction tax payable, if any, by the investor. Under Section 195 of the I.T. Act, tax shall be deducted at source in respect of capital gains as under:

- **In case of non-resident unitholders -**

Short term capital gains	15% plus surcharge and cess
Long term capital gains	Nil

- **In case of foreign company -**

Short term capital gains	15% plus surcharge and cess
Long term capital gains	Nil

No tax would be deductible at source from the capital gains (whether long-term or short-term) arising to an FII on repurchase/redemption of units in view of the provisions of Section 196D (2) of the Act.

As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee.

SECURITIES TRANSACTION TAX

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of units of an equity oriented fund entered into on a recognized stock exchange or on sale of units of an equity oriented fund to the Fund. The STT rates as applicable are given in the following table:

Taxable Securities Transaction	Rates	Payable by
Purchase of a unit of an equity oriented fund, where - The transaction of such purchase is entered into in a recognised stock exchange; and The contract for the purchase of such unit is settled by the actual delivery or transfer of such unit.	0.125%	Purchaser
Sale of a unit of an equity oriented fund, where - The transaction of such sale is entered into in a recognised stock exchange; and The contract for the sale of such unit is settled by the actual delivery or transfer of such unit.	0.125%	Seller
Sale of a unit of an equity oriented fund, where - The transaction of such sale is entered into in a recognised stock exchange; and The contract for the sale of such unit is settled otherwise than by the actual delivery or transfer of such unit.	0.025%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund itself.	0.25%	Seller

The Fund is responsible for collecting the STT from every person who sells the Unit to it at the rate of 0.25%. The STT collected by the Fund during any month will have to be deposited with the Central Government by the seventh day of the month immediately following the said month.

INVESTMENTS BY CHARITABLE AND RELIGIOUS TRUSTS

Units of a Fund Scheme referred to in section 10(23D) of the Act constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of Section 11 of the Income Tax Act, 1961.

<u>WEALTH TAX</u>

Units held under the Schemes of the Fund are not treated as assets as defined under Section 2(ea) of the Wealth Tax Act, 1957 and therefore would not be liable to wealth tax.

GIFT TAX

The Gift-tax Act, 1958, has ceased to apply to gifts made on or after 1 October 1998. Gifts of Units, purchased under the Schemes, would therefore, be exempt from gift-tax.

INVESTORS DESIROUS OF INVESTING IN JM EQUITY & DERIVATIVE FUND SHOULD READ AND UNDERSTAND THE ABOVE PLAN SPECIFIC DISCLOSURES IN CONJUNCTION WITH THE DISCLOSURES MADE IN THE ORIGINAL OFFER DOCUMENT. INVESTORS MAY ASCERTAIN FURTHER CHANGES IN THE OFFER DOCUMENT FROM THE MUTUAL FUND (AMC) / INVESTOR SERVICE CENTRES / DISTRIBUTORS