

NOTICE-CUM-ADDENDUM

THIS NOTICE - CUM - ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE SCHEME INFORMATION DOCUMENT ("SID") AND KEY INFORMATION MEMORANDUM ("KIM") OF JM LOW DURATION FUND ("SCHEME") WITH EFFECT FROM FEBRUARY 26, 2022 ("EFFECTIVE DATE")

Notice is hereby given that the Trustees of JM Financial Mutual Fund have approved the changes in the Fundamental attributes of the Scheme to include the provisions of segregated portfolio of the Scheme in line with SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, read with SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated November 07, 2019 ("SEBI Circulars") and the risks associated with it.

The below changes will be implemented in the SID/KIM of the Scheme from the Effective Date.

1. Provision for Creation of segregated portfolio:

In case of a credit event at issuer level and to deal with liquidity risk, the AMC may create a segregated portfolio of debt and money market instruments including unrated or money market instruments of an issuer that does not have outstanding rated debt or money market instruments, under the Scheme in compliance with the SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, read with SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated November 07, 2019 ("SEBI Circular").

In this regard, the term 'segregated portfolio' shall mean a portfolio comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme(s).

The term 'main portfolio' shall mean the scheme portfolio excluding the segregated portfolio and the term 'total portfolio' shall mean the debt or money market instruments including the securities affected by the credit event i.e. main portfolio and all segregated portfolio(s).

The AMC may create a segregated portfolio in a mutual fund scheme in case of a credit event at Issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

- Downgrade of a debt or money market instrument to 'below investment grade', or
- Subsequent downgrades of the said instruments from 'below investment grade', or
- Similar such downgrades of a loan rating, or
- Actual default of either the interest or principal amount in case of unrated debt or money market instruments.

In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level. Creation of segregated portfolio shall be optional and at the discretion of the AMC.

Further, the AMC shall seek approval of the Trustees prior to creation of the segregated portfolio.

Process for creation of segregated portfolio

The AMC shall decide on creation of segregated portfolio of the Scheme on the day of credit event. Segregation of portfolio in case of unrated debt or money market instruments will be done only in case of actual default of either the interest or principal amount by the issuer of such instruments. The AMC shall inform AMFI immediately about the actual default by the issuer.

Once the AMC decides to segregate portfolio, the AMC shall:

- seek approval from the Board of Directors of the Trustee Company, prior to creation of the segregated portfolio.
- immediately issue a press release disclosing its intention to segregate such debt and money market instruments and its impact on the investors of the Scheme. The AMC shall also disclose that the segregation shall be subject to Trustee approval. Additionally, the said press release shall be prominently disclosed on the website of the AMC.
- ensure that till the time the Trustee approval is received, which in no case shall exceed 1 (one) business day from the day of credit event, the subscription and redemption in the concerned Scheme shall be suspended for processing with respect to creation of units and payment on redemptions.

Once the approval of the Trustees is received by the AMC:

- The segregated portfolio shall be effective from the day of credit event.
- The AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio of the Scheme. The said information shall also be submitted to SEBI.
- An e-mail or SMS shall be sent to all unit holders of the concerned Scheme.
- The NAVs of both segregated and main portfolio shall be disclosed from the day of the credit event.
- All existing investors in the Scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. The AMC shall work out with the R&T viz. KFin Technologies Pvt. Ltd., the mechanics of unit creation to represent the holding of segregated portfolio and the same shall appear in the account statement of the unit holders.
- No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in the segregated portfolio, the AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 business days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.

In case the Trustees do not approve the proposal to create a segregated portfolio, the AMC shall issue a press release immediately informing investors about the same. Thereafter, the transactions shall be processed as usual at the applicable NAV.

Valuation and processing of subscriptions and redemptions:

Notwithstanding the decision to segregate the debt and money market instruments, the valuation process shall take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI MF Regulations, 1996 and circular(s) issued thereunder.

All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable, will be processed as per the existing SEBI circular on applicability of NAV as under:

- Upon receipt of Trustee approval to create a segregated portfolio -
 - Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
 - Investors subscribing to the Scheme will be allotted units only in the main portfolio based on its NAV.
- In case the Trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.

TER for the Segregated Portfolio:

- The AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in the segregated portfolio.
- The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
- The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
- The costs related to segregated portfolio shall in no case be charged to the main portfolio.

Disclosures:

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

Monitoring by Trustees:

- In order to ensure timely recovery of investments of the segregated portfolio, the Trustees shall ensure that:
 - The AMC puts in sincere efforts to recover the investments of the segregated portfolio.
 - Upon recovery of money, whether partial or full, it shall be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio.
 - An Action Taken Report (ATR) on the efforts made by the AMC to recover the investments of the segregated portfolio is placed in every Trustee meeting till the investments are fully recovered/ written-off.
 - The Trustees shall monitor the compliance of the above mentioned SEBI circular and disclose in the half-yearly trustee reports filed with SEBI, the compliance in respect of every segregated portfolio created.

In order to avoid mis-use of segregated portfolio, the Trustees shall have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officer (CIO), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the Scheme.

Example of Segregated Portfolio:

The below table shows how a security affected by a credit event will be segregated and its impact on investors. Whether the distressed security is held in the original portfolio or the segregated portfolio, the value of the investors' holdings will remain the same on the date of the credit event.

Key assumptions:

Let us assume a Scheme consists of 4 Securities (A, B, C and D). It has two investors with total of 10,000 units (Investor 1 with 7,000 units, Investor 2 with 3,000 units).

Total Portfolio Value of Rs. 40 Lakhs (Each Security invested Rs. 10 Lakh).

Current NAV: 40,00,000/10,000 = Rs. 400 Per Unit.

Suppose Security A is downgraded to below investment grade and consequently the value of the security falls from Rs. 10,00,000 to Rs. 4,00,000 and the AMC decides to segregate the security into a new portfolio, then the Investors will be allotted the same number of units in the segregated portfolio as they hold in the main portfolio. So, Investor 1 will get 7,000 Units and Investor 2 will get 3,000 units in the segregated portfolio.

With Segregation, the Portfolio Value is Rs. 34,00,000 (Now B, C and D Securities worth Rs. 30 Lakh and Security A has fallen from Rs. 10,00,000 to Rs. 4,00,000).

	Main Portfolio (Security of B, C & D)	Segregated Portfolio (Security A)
Net Assets	Rs. 30,00,000	Rs. 4,00,000
Number of Units	10,000	10,000
NAV per Unit	Rs. 30,00,000/10,000 = Rs. 300	Rs. 4,00,000/ 10,000= Rs. 40

With respect to Investors:

	Particulars	Investor 1	Investor 2
A	Units held in Main portfolio (No. of Units)	7,000	3,000
	NAV of Main Portfolio	Rs. 300 per Unit	Rs. 300 per Unit
	Value of Holding in Main Portfolio (Rs.)	21,00,000	9,00,000
B	Units Held in Segregated Portfolio	7,000	3,000
	NAV of Segregated Portfolio	Rs. 40 Per unit	Rs. 40 Per unit
	Value of Holding in Segregated Portfolio (Rs.)	2,80,000	1,20,000
C	Total Value of Holdings (A) + (B) (Rs.)	23,80,000	10,20,000

In case, if it does not segregate (Total Portfolio would be)

	No. of Units	NAV per unit (Rs.)
Net Assets of the Portfolio Rs. 34,00,000 (Rs. 4,00,000 in Security A and Rs. 10,00,000 in Security B and Rs. 10,00,000 in Security C and Rs. 10,00,000 in Security D)	10,000	34,00,000/10,000= Rs. 340

	Investor 1	Investor 2
Units held in Original portfolio (No. of Units)	7,000	3,000
NAV of Original Portfolio	Rs. 340 Per Unit	Rs. 340 Per Unit
Value of Holding (Rs.)	23,80,000	10,20,000

Value of the Portfolio would be as follows at different stages/ scenarios:

	Stage /Scenario	Portfolio	Value
I	Before Credit Event	Security A	Rs. 10,00,000
		Security B	Rs. 10,00,000
		Security C	Rs. 10,00,000
		Security D	Rs. 10,00,000
		Total Portfolio Value (Security A, B, C & D)	Rs. 40,00,000

II	On Credit Event if Portfolio is not Segregated	Security A	Rs. 4,00,000
		Security B	Rs. 10,00,000
		Security C	Rs. 10,00,000
		Security D	Rs. 10,00,000
		Total Portfolio Value (Security A, B, C & D)	Rs. 34,00,000

III	On Credit Event if Portfolio is segregated	Main Portfolio:	
		Security B	Rs. 10,00,000
		Security C	Rs. 10,00,000
		Security D	Rs. 10,00,000
		Segregated Portfolio:	
		Security A	Rs. 4,00,000
		Total Portfolio Value (Security A, B, C & D)	Rs. 34,00,000

Investors may note the essential difference between a segregated portfolio and non-segregated portfolio as follows:

- Where the portfolio is not segregated, the transactions will continue to be processed at NAV based prices of the total portfolio. There will be no change in the number of units remaining outstanding.
 - Where the portfolio is segregated, equal number of units are created and allotted to reflect the holding for the portion of portfolio that is segregated.
 - Once the portfolio is segregated, the transactions will be processed at NAV based prices of main portfolio
 - Since the portfolio is segregated for distressed security, the additional units that are allotted cannot be redeemed. The units will be listed on the recognised stock exchange to facilitate exit to unit holders.
 - Upon realisation of proceeds under the distressed security either in part or full, the proceeds will be paid accordingly. Based on the circumstances and developments, the AMC may decide to write off the residual value of the segregated portfolio.
- 2. Risks associated with segregated portfolio:**
- Unit holders holding units of segregated portfolio may not be able to liquidate their holdings till recovery of money from the issuer.
 - Security in the segregated portfolio may not realize any value.
 - Listing of any units of segregated portfolio in recognized stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further, trading price of units on the stock market may be significantly lower than the prevailing NAV.
- 3. Investment in Securities having special features:**

The Scheme will not invest in securities having special features in terms of SEBI Circular dated March 10, 2021.

The AMC / Mutual Fund shall adhere to such other requirements as may be prescribed by SEBI / AMFI in this regard.

All other features of the above Scheme remain unchanged.

Securities and Exchange Board of India (SEBI) vide its email / letter dated December 17, 2021 has confirmed having taken note of the change in the fundamental attributes of JM Low Duration Fund.

The above changes will be effective from February 26, 2022.

As per the SEBI Regulations, the above changes are construed as changes in the fundamental attributes of the Scheme. Hence, an exit option is being provided to the unitholders of the above mentioned Scheme, as per Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

Accordingly, the unitholders in the above Scheme, who do not consent to the above proposal, are being provided with an exit option to redeem their units at the prevailing NAV without imposition of any exit load. The option to exit without payment of exit load will be valid from January 27, 2022 up to and including February 25, 2022 (up to 3.00 p.m.).

The option to exit is available to all unitholders in the above Scheme, except for those unitholders who have:

- pledged their units, unless they procure a release of their pledges prior to February 25, 2022 and/ or
- whose units are marked under lien/ injunction in accordance with the instructions of any Court of law/ Income Tax Authority/ other Regulatory Authority.

Unit holders in the above Scheme as on January 24, 2022, are being informed by individual communication along with the notice - cum - addendum to the Scheme Information Documents detailing the proposed changes to the Scheme. Unitholder in the above Scheme, after January 24, 2022, will also be kept informed of the details of the proposed changes in the said Scheme. Such of those unit holders who do not receive the communication latest by January 30, 2022, may contact the Registrar of JM Financial Mutual Fund, M/s. KFin Technologies Private Limited ("KFin"), Karvy Selenium Tower B, Plot No 31 & 32, 1st Floor, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032.

Redemption/switch out requests may be made by filling up the normal transaction slip and submitting the same to any of the Investor Service Centers of KFin or at any of the Investor Service Centers ("ISCs") of JM Financial Asset Management Limited on or before 3.00 p.m. on February 25, 2022. If an unitholder wishes to opt for the exit option set forth above, then he/she may redeem/switch out the units of the respective Scheme held by them at the applicable Net Asset Value without any exit load upto 3.00 p.m. on February 25, 2022. Redemption proceeds will be mailed/remitted within 10 business days of receipt of valid redemption request to the unitholders who exercise their exit option.

In case, an unitholder wishes to redeem/switch out of the respective Scheme, he/she is required to provide copy of the PAN, KYC completion status and FATCA declaration form along with the transaction slip, in case he/she has not provided the same to us earlier. In case, the PAN, KYC completion status and the FATCA declaration form is not provided along with the transaction slip, the redemption/switch request will be rejected.

This notice - cum - addendum forms an integral part of the Scheme Information Document and Key Information Memorandum of the above Scheme. Investors are requested to kindly take note of the above.

Place : Mumbai
Date : January 24, 2022

Authorised Signatory
JM Financial Asset Management Limited
(Investment Manager to JM Financial Mutual Fund)

This Product is suitable for investors who are seeking*	Scheme Risk-o-meter	Benchmark Risk-o-meter CRISIL Low Duration Debt Index
<ul style="list-style-type: none"> Regular Income over Short Term. Investment in Debt and Money Market securities such that the Macaulay duration* of the portfolio is between 6 months - 12 months. 	<p>Riskometer of the Scheme</p> <p>Investors understand that their principal will be at low to moderate risk</p>	<p>Riskometer of the Benchmark</p> <p>Investors understand that their principal will be at moderately high risk</p>
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>		

For further details, please contact :
JM Financial Asset Management Limited (Formerly known as JM Financial Asset Management Private Ltd.),
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400025.
Corporate Office: Office B, 8th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai-400025.
Corporate Identity Number: U65991MH1994PLC078879. • Tel. No.: (022) 6198 7777
• Fax No.: (022) 6198 7704. • E-mail: investor@jmf.com • Website: www.jmfinancialmf.com

Investment Objective: To generate stable long term returns with low risk strategy and capital appreciation/accretion besides preservation of capital through investments in Debt & Money Market instruments such that the Macaulay duration* of the portfolio is between 6 months - 12 months. Investors are required to read all the scheme related information set out in the offer documents carefully and also note that there can be no assurance that the investment objectives of the scheme will be realized. The scheme does not guarantee/ indicate any returns.

#Concept of Macaulay Duration: The Macaulay duration (named after Frederick Macaulay, an economist who developed the concept in 1938) is a measure of a bond's sensitivity to interest rate changes. Duration tells investors the length of time, in years, that it will take a bond's cash flows to repay the investor the price he or she has paid for the bond.

Fixed income securities with higher duration have higher interest rate sensitivity i.e. the changes in price of higher duration bonds are higher as compared to lower duration ones. A zero coupon bond is one which does not pay any interest and all payments are received at maturity. For a zero coupon bond, the duration is same as residual maturity.

Formula: There is more than one way to calculate duration, but the Macaulay duration is the most common. The formula is:

$$\text{Macaulay Duration} = \frac{\sum_{t=1}^n \left(\frac{tC}{(1+y)^t} + \frac{M}{(1+y)^n} \right)}{P}$$

where: t = period in which the coupon is received, C = periodic (usually semiannual) coupon payment, y = the periodic yield to maturity or required yield, n = number periods, M = maturity value (in ₹), P = market price of bond.

Notes: Duration is quoted in "years." If a bond has a semi-annual period, we convert duration to years before quoting it (a duration of 8 semi-annual periods is 4 years). Duration is a measure of interest-rate risk. Or, stated differently, duration is a measure of how sensitive the price of a fixed-income instrument is to interest-rate changes. When we say, "The duration of the bond is 4 years," we mean: "If the interest rate on the bond goes up by 1%, the bond's price will decline by 4%."

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