

POLICY TO PROTECT THE INTEREST OF INVESTORS OF MID-CAP AND SMALL-CAP SCHEMES OF SAMCO MUTUAL FUND

1. Introduction:

The mid-cap and small-cap segments face inherent challenges—lower liquidity, higher volatility, and concentrated trading volumes—making investor interest particularly sensitive to market cycles. As per a communication received from the Association of Mutual Funds in India (AMFI) vide its letter no. 35P/MEM-COR/116/2023-24 dated February 27, 2024, SEBI had directed AMFI to communicate to the Trustees of the mutual funds on the requirement of a policy to protect the interest of investors in mid cap and small cap funds (“the Policy”).

The policy shall inter alia contain the following:

- i. Appropriate and proactive measures to be taken by AMCs and Fund Managers to protect investors, including but not limited to moderating inflows, portfolio rebalancing, etc.
- ii. Steps to ensure that investors are protected from the first mover advantage of redeeming investors.

Accordingly, this Policy has been formulated to operationalize these expectations through a structured governance mechanism, oversight controls, proactive risk management, and transparent public disclosures.

2. Applicability

This Policy shall be applicable to Midcap and Small Cap schemes as defined under clause 2.6 of the SEBI Master Circular dated June 27, 2024, on categorization of Schemes.

3. Objectives of the Policy

This policy is put in place to protect the interest of the investors of Small-cap and Mid-cap Schemes of Samco Mutual Fund.

4. Definitions

The definitions of some of the key terms used in the Policy are given below:

- i. **Mid-cap Segment** – As per clause 2.7 of SEBI Master Circular dated June 27, 2024, midcap means 101st -250th company in terms of full market capitalization

- ii. **Small-cap Segment** - As per clause 2.7 of SEBI Master Circular dated June 27, 2024, smallcap means 251st company onwards in terms of full market capitalization.

5. Policy Framework

5.1 Enhanced disclosures pertaining to the Schemes

In line with the AMFI guidance, the AMC would disclose, on the website of the AMC and AMFI, the results of stress test wherein the liquidity available for selling 50% and 25% of the portfolios of the Schemes under the stipulated stress scenario.

The disclosures would also highlight the volatility (measured through parameters such as annualized standard deviation for the portfolio as well as benchmark and portfolio beta), valuation (reflected in price-to-earnings ratio computed on a 12 month trailing basis for the portfolio as well as the benchmark) and portfolio turnover parameters of the Schemes and such other factors as may be prescribed by SEBI/AMFI from time to time.

Further, the AMC would also disclose the concentration in portfolios of the Schemes both in asset (investment) as well as liability sides. The concentration in liabilities would be indicated through the proportion of top 10 investors as a % of the AUM of the Schemes. The concentration in investments would be indicated through the composition of the portfolios of the Schemes in terms of large cap, mid cap, small cap as well as cash as a % of the total AUM.

5.2 Portfolio rebalancing

To mitigate the potential risks arising out of the skewed orientation of the Schemes to mid and small cap stocks, the AMC may undertake various proactive steps such as ensuring adequate diversification in portfolio investments, carrying out regular assessment of adequacy of liquidity and ensuring adequate portfolio liquidity.

On an ongoing basis, the AMC would endeavour to maintain adequate diversification in portfolio investments as well as investors. The AMC would also ensure that there is no concentration in stocks invested into as a percentage of Scheme AUM. The AMC would also endeavour to ensure that aggregate AUM contributed by top investors does not form a significant proportion of the Scheme AUM.

5.3 Stress Testing Framework

The AMC shall perform appropriate stress testing of Mid Cap and Small Cap funds at least on monthly basis and present the results to the Investment Committee on Monthly basis and to the Risk Management Committee on quarterly basis. In case the test shows any stress, the portfolio shall be appropriately rebalanced.

5.4 Temporary measures for moderating inflows into the Schemes

The AMC shall monitor the pace and extent of inflows in the schemes and ability of the fund to invest in line with scheme objectives and strategy, and can consider if the situation so warrants, based on the recommendations of Fund Manager and Investment Committee, restrictions on fresh inflows through lump sum amount or cap on SIPs, switches etc. with the approval of the Boards of AMC and Trustees.

The AMC shall regularly monitor the “risk – reward” considerations with regard to small and midcap stocks and the portfolio of the Schemes. Some of the factors which may be monitored could include – midcap/small cap valuations (based on valuation of relevant indices and share of mid/small cap in total market capitalization), industrywide inflows into mid and small cap funds and the potential upside available for a significant proportion of Mid and Small Cap shares invested into by the Schemes.

The measures, if imposed, to moderate inflows into the Schemes would be temporary in nature and would be removed, after seeking the approval of the Board of Trustees, if in the opinion of the AMC, there has been an improvement in the “risk/ reward” considerations with regard to small and midcap stocks and the portfolio of the Schemes.

5.5 Steps to ensure that investors are protected from the first mover advantage of redeeming investors

When faced with a large redemption, the Fund Manager would endeavour to create liquidity in such a manner so as to decrease the impact of such liquidation, to the extent possible.

The AMC would, subject to the provisions of scheme information documents of the respective schemes, maintain relatively more liquid assets (such as the investment made by the Schemes into Large Cap stocks and cash/cash equivalents) in cases of schemes where aggregate redemption occurs on a persistent basis.

The Fund Manager would endeavour to liquidate the stocks in such a manner that the liquidity profile of the Scheme as a whole is maintained.

5.6 Transparency & Investor Communication

The AMC will provide monthly public disclosures within **15 days of month-end** for:

- Stress-testing results
- Liquidity indicators
- Volatility & valuation parameters
- Portfolio turnover ratio
- Any supporting narrative to explain assumptions and methodologies

The disclosure shall be made:

- On the AMC website
- On the AMFI website
- Additionally, via email to investors who have registered their email IDs.

5.7 Internal Reporting & Escalation Protocol

The Risk Department shall review compliance with this Policy and report to the Internal Risk Committee of Executives on monthly basis. Portfolio liquidity, inflows/outflows, concentration metrics, stress test results will be placed before the Investment Committee. The Investment Committee shall undertake detailed review of the portfolio of the Schemes as and when the stress test result shows that more than 30 days shall be required for the pro rata liquidation of 25% of the portfolio (as per the AMFI method) and subsequently monitor the status.

5.8 Steps to be taken by the Fund Managers in the event of threshold breach:

The Fund Manager will rebalance the portfolio within 7 days of the stress test breach report in a manner such that the number of days to liquidate 25% of the portfolio fall within the limit of 30 days.

In the event of a Fund Manager is not able to rebalance within 7 days, the AMC shall take steps towards moderating inflows in terms of proposing to stop/put a cap on the lumpsum or the Systematic Investment Plan (SIP)/ Systematic Transfer Plan (STP).

6. Periodic Review of the Policy:

The Policy shall be reviewed periodically by the Unit Holder Protection Committee and the Board of AMC and Trustee.

Any amendments to this Policy will be reviewed and approved by the Board of AMC and Trustee.

In case any provisions of this Policy are inconsistent with Applicable Laws, then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.