

SBM INDIA FUND

(the “Fund”)

PROSPECTUS

February 9, 2012

This Prospectus (“Prospectus”) and accompanying materials are confidential and has been prepared solely for consideration of a limited number of prospective qualified Investors outside India interested in the offering described herein (the “Offering”).

This Prospectus does not constitute or contain an offer or invitation to subscribe for or to purchase shares in any jurisdiction, unless in the relevant jurisdiction such an invitation could lawfully be made to an Investor without compliance with any registration or other legal requirements or where such registration or other legal requirements have been complied with. The information in this Prospectus is subject to change, alteration, modifications and amendments from time to time.

This Prospectus is being furnished to prospective Investors on a confidential basis for them to consider an investment in the SBM India Fund and may not be used for any other purpose. This Prospectus may not be reproduced or provided to others without the prior written permission of the Board of SBM India Fund (the “Board”). By accepting delivery of this Prospectus, each prospective Investor agrees to the foregoing.

This Prospectus is a prospectus and the interests herein are being offered to the public and constitute offer to the public in Mauritius.

THIS CONFIDENTIAL PROSPECTUS IS BEING FURNISHED TO INVESTORS ON A CONFIDENTIAL BASIS AND MAY NOT BE USED FOR ANY OTHER PURPOSE. THE INVESTORS MAY BE INVESTING IN THE PARTICIPATING SHARES IN SBM INDIA FUND (“FUND”) SET UP AS AN OPEN-ENDED FUND. IN ADDITION, ANY U.S. INVESTORS MUST ALSO BE ACCREDITED INVESTORS AND QUALIFIED PURCHASERS (EACH AS DEFINED HEREIN). THIS PROSPECTUS IS CONFIDENTIAL AND MAY NOT BE REPRODUCED OR PROVIDED TO OTHERS WITHOUT THE PRIOR WRITTEN PERMISSION OF THE FUND. NO PERSON RECEIVING A COPY OF THIS PROSPECTUS IN ANY TERRITORY MAY TREAT THE SAME AS CONSTITUTING AN INVITATION TO HIM, UNLESS IN THE RELEVANT TERRITORY, SUCH AN INVITATION COULD LAWFULLY BE MADE TO HIM WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER LEGAL REQUIREMENTS OR WHERE SUCH REGISTRATION OR LEGAL REQUIREMENTS HAVE BEEN COMPLIED WITH. BY ACCEPTING DELIVERY OF THIS PROSPECTUS, EACH PROSPECTIVE INVESTOR AGREES TO THE FOREGOING. NO INVESTMENTS IN THIS FUND SHOULD BE MADE BY (i) RESIDENT OF INDIA; OR (ii) ANY OTHER PERSON USING MONEY SOURCED FROM INDIA OR (iii) ANY OTHER DISQUALIFIED PERSON HEREUNDER.

THE DIRECTORS OF THE FUND WHOSE NAMES APPEAR IN THIS PROSPECTUS, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED HEREIN. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE

CASE) THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

IF YOU ARE IN DOUBT AS TO THE CONTENTS OF THIS PROSPECTUS, YOU SHOULD CONSULT YOUR ATTORNEY/SOLICITOR, ACCOUNTANT OR FINANCIAL ADVISER(S). THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE TREATED AS ADVICE RELATING TO INVESTMENT, LEGAL OR TAXATION MATTERS. PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN INDEPENDENT ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THE FUND AND INVESTMENT THEREIN.

THE FUND IS INCORPORATED AS A PUBLIC COMPANY LIMITED BY SHARES AND HOLDS A CATEGORY 1 GLOBAL BUSINESS LICENCE BEARING LICENCE NUMBER C110004712 ISSUED ON THE 31ST OF MARCH 2011 BY THE MAURITIUS FINANCIAL SERVICES COMMISSION ("FSC") AND IS CLASSIFIED AS A OPEN ENDED COLLECTIVE INVESTMENT SCHEME FOR THE PURPOSES OF THE MAURITIUS SECURITIES ACT 2005, AS AMENDED, AND THE SECURITIES (COLLECTIVE INVESTMENT SCHEMES AND CLOSED-END FUNDS) REGULATIONS 2008 ISSUED THEREUNDER (THE "REGULATIONS"). THE FUND WILL BE SEEKING AUTHORISATION/APPROVAL OF THE FSC TO BE ESTABLISHED AS AN OPEN-ENDED FUND. HOWEVER, IT MUST BE UNDERSTOOD THAT, IN GIVING THIS AUTHORISATION, **THE FSC DOES NOT VOUCH FOR THE FINANCIAL SOUNDNESS OR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THE FUND. THE FSC SHALL NOT BE LIABLE TO ANY ACTION IN DAMAGES SUFFERED AS A RESULT OF THIS PROSPECTUS BEING DULY REGISTERED WITH THE FSC.**

INVESTORS IN THE FUND ARE NOT PROTECTED BY ANY STATUTORY COMPENSATION ARRANGEMENTS IN MAURITIUS IF THERE IS A FAILURE OF THE FUND. THE FUND IS OFFERING PARTICIPATING SHARES (SUBJECT TO CERTAIN TERMS AND CONDITIONS SPECIFIED BELOW IN THIS PROSPECTUS), DENOMINATED IN U.S. DOLLARS, AND AS AN OPEN-ENDED FUND, SUCH PARTICIPATING SHARES SHALL BE AVAILABLE ONLY TO PROSPECTIVE INVESTORS.

THE DIRECTORS OF THE FUND ACCEPT RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, AND THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, AND AFTER MAKING REASONABLE ENQUIRIES, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND THAT THE PROSPECTUS MAKES NO OMISSION LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

THIS PROSPECTUS HAS BEEN DRAWN UP IN COMPLIANCE WITH THE MAURITIUS SECURITIES ACT 2005, AS AMENDED, AND THE REGULATIONS.

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DEFINITIONS

“1933 Act”	means the U.S. Securities Act of 1933, as amended.
“1940 Act”	means the U.S. Investment Company Act of 1940, as amended.
“Accounting Date”	means the 30 th of June in each year or such other date as the Directors may from time to time decide commencing with the date of incorporation in case of the first accounting year and thereafter commencing on the 1 st of July.
“Act”	means the Companies Act 2001 of Mauritius, as amended.
“Administrator” and “Registrar”	means SBM Fund Services Ltd , a Company incorporated under the provisions of the Mauritius laws and having its registered office address at SBM Tower, 1, Queen Elizabeth II Avenue, Port Louis, Mauritius and includes such subsequent administrator, registrar as may be appointed by the Fund from time to time to provide administrative and registrar services to the Fund.
“Auditors”	means Deloitte having its office at 7 th Floor, Raffles Tower, 19, Cybercity, Ebène, Mauritius, which has been appointed by the Fund to act as an auditor to audit the accounts of the Fund in accordance with the International Financial Reporting Standards and includes subsequent auditors as may be appointed by the Management Shareholder in annual meetings from time to time.
“Board”	means the Directors of the Fund.
“Business Day”	means any day (except Saturday and Sunday and such other days as the Board may determine) on which banks in Mauritius, United States of America and India as well as the Indian Stock Exchange or such other places as may be decided by the Directors from time to time are open for business
“CFTC”	means the U.S. Commodity Futures Trading Commission.
“Banker”	means State Bank of Mauritius Ltd having its office at SBM Tower, 1, Queen Elizabeth II Avenue, Port Louis,

	Mauritius and/ or any other banker as may be appointed by the Board.
“Class”	A Class created by the Fund in accordance with Article 11 of the Constitution.
“Class A Participating Shares”	means Class A Participating Shares held by Institutional Investors.
“Class B Participating Shares”	means Class B Participating Shares held by Individual Investors.
“Class Share”	means a Participating Share of whatever class, series or category, the proceeds of which issue are comprised in the Class Assets attributable solely to the Class in respect of which the Class Share was issued.
“Class Assets”	means in relation to any Class, the assets of the Fund attributable to that Class comprising assets represented by the proceeds of the issue of Participating Shares of that particular Class, reserves (including retained earnings and capital reserves) and all other assets attributable to that Class.
“Class Dividend”	means a dividend attributable by the Fund in respect of Class Profit of a Class.
“Class Profit”	means profits attributable to a Class.
“Constitution”	means the Constitution of the Fund dated the 1 st October 2007.
“Custodian”	means HDFC Bank Ltd , having its registered office at HDFC Bank House, Senapati Bapat Marg, Lower Parel (W) Mumbai – 400 013, India or any other custodian as may be appointed by the Board from time to time.
“Custodian Agreement”	means the agreement between the Fund and the Custodian from time to time.
"Custody Fees"	means the fee that would be payable to the Custodian as appointed by the Fund.
“Dealing Day”	means with respect to the issue of Participating Shares, any Business Day or such other day as the Directors may determine. With respect to the redemption of Participating Shares, the Dealing Day means the Redemption Date or such other date as the Directors may determine. The first Dealing Day for the issue and redemption of Participating Shares shall be within 15 Business days after the Offer Period.

"Directors"	means the directors of the Fund whose names are set out under the caption "Management and Administration of the Fund" in Section IV of this Prospectus being directors of the company for the time being or, as the case may be, the directors assembled as a Board in a Meeting or as a Committee of the Board.
"ERISA"	means the U.S. Employee Retirement Income Security Act of 1974, as amended.
"Foreign Institutional Investor or (FII)"	means an institution established or incorporated outside India registered with SEBI and which proposes to and/or which has made investment in India in securities.
"Foreign Institutional Investor Licensee" or ("FII Licensee")	means SBM Capital Management Limited a Company incorporated under the laws of Mauritius and having its registered office at 4 th Floor, Raffles Tower, 19 Cybercity, Ebène, Mauritius.
"FSA"	means the Financial Services Act 2007 of Mauritius, as amended.
"FSC"	means the Financial Services Commission of Mauritius.
"Fund"	means " SBM India Fund ", licensed as a Category 1 Global Business Company and authorized as an Open-ended Fund in Mauritius in accordance with the Global Business License dated the 1 st of March 2011.
"IFRS"	means the International Financial Reporting Standards.
"Individual Investors"	means a natural person and corporate investor other than Institutional Investors.
"Initial Issue Price"	means the initial fixed price at which Participating Shares ("PS") will be issued during the Initial Offer Period as set out in this Prospectus.
"Institutional Investors"	means financial institutions, banks, Foreign Institutional Investors, mutual funds, sophisticated investors, large corporate, insurance companies, pension funds, labor union funds, corporate profit-sharing plans, and college endowment funds or as may be determined by the Board.
"Investor"	means any person who is qualified to invest in the Fund and has made capital commitments pursuant to execution of the Subscription Form for Class A Participating Shares or Class B Participating Shares, including high net worth individuals, corporates,

Institutional Investors, trusts, limited partnerships, pension funds, endowments, etc.

"Investment Advisor"	means Religare Asset Management Company Limited , having its office at 3 rd Floor, GYS Infinity, Paranjpe 'B' Scheme, Subhash Road, Vile Parle (East), Mumbai-400057, India or any investment advisor appointed by the Investment Manager in accordance with the Investment Advisory Agreement, from time to time to render non-binding and non-exclusive investment advisory services.
"Investment Advisory Agreement"	means the investment advisory agreement entered into between the Investment Manager and the Investment Advisor, pursuant to which the Investment Advisor will provide non-binding and non-exclusive investment advisory services to the Investment Manager.
"Investment Manager"	means SBM Asset Management Limited a Company incorporated under the laws of Mauritius and having its registered office at 4 th Floor, Raffles Tower, 19 Cybercity, Ebène, Mauritius.
"Investment Management Agreement"	means the investment management agreement entered into between the Fund and the Investment Manager as amended from time to time pursuant to which all investment / divestment decisions will be delegated, subject to the overall supervision of the Fund's Board, to the Investment Manager.
"Management Fee"	means the fee payable to the Investment Manager by the Fund under the Investment Management Agreement.
"Management Shares"	means a share in the capital of the Fund of USD 1.00 par value designated as a Management Share and having the rights provided for under the Constitution with respect to such shares.
"Management Shareholder"	means the holder of one or more Management Shares.
"Prospectus"	means this confidential Prospectus and all supplements hereto, and includes the Annexure hereto.
"Minimum Holding"	means US\$ 50,000 in the case of Class A Participating Shares and US\$ 100 in the case of Class B Participating Shares.
"Net Asset Value" or "NAV"	means the net asset value of the Fund or Shares, as the context may require, calculated as described under the

caption “Determination of Net Asset Value” in Section VII of this Prospectus.

“Offer Period”

means the period determined by the Board of the Fund or the Investment Manager during which the Shares are offered for subscription at the prevailing NAV on the relevant Dealing Day. Duly completed Subscription Form must be received by the Administrator at least 3 (three) days prior to the relevant Dealing Day. Cleared funds in respect of the subscription monies must be received in full, in the Fund’s bank account at least 1 (one) Business Day prior to the relevant Dealing Day.

“Participating Shares”

means a participating redeemable preference share (“PS”) in the capital of the Fund of par value issued in accordance with the provisions of the law and the Constitution and having the rights provided for under the Constitution with respect to the shares. The terms “Participating Share” shall embrace all classes of such shares except when referred to in their separate classes.

“Qualified Holder”

means any person (being over the age of 18), corporation or entity who is an Eligible Investor other than (i) a U. S. Person unless that person is both (a) an “Accredited Investor” within the meaning of Rule 501(a) under the 1933 Act as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and (b) a “Qualified Purchaser” as defined in Section 2(a)(51) of the 1940 Act; (ii) any person, corporation or entity which cannot acquire or hold the Shares without violating laws or regulations applicable to it; or (iii) any person, corporation or entity whose holding of the Shares, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise have incurred or suffered;(iv) any person, corporation or entity whose holding of the Shares, in the opinion of the Directors, does not conform with the requirements of this Prospectus and the Constitution; (v) a custodian, nominee or trustee for any person or entity.

“Redemption Date”

means any Dealing Day on which Participating Shares may be redeemed.

“Redemption Price”

means the price per Shares at which such Shares are redeemed in accordance with the Constitution.

“SEC”

means the U.S. Securities and Exchange Commission.

“Securities”	means the equity and equity related securities, fixed income securities including debt, money market and securitised debt, stocks, bonds, options, warrants, notes, direct investments in real estate, mutual funds, other investment vehicles or in derivatives of any of the above.
“Share”	means a share in the capital of the Fund from time to time, which is either a Management Share, or a Participating Share and includes a Class Share.
“Shareholders”	means a person who is registered as the holder of shares for each class for the time being kept by or on behalf of the Fund.
“Subscription Form”	means the Subscription Form entered into by an Investor with the Fund for subscription to the Participating Share of the Fund.
“Valuation Day”	means in relation to a Class, any Business Day on which the Net Asset Value is determined or such other date as the Directors may determine.
“Valuation Point”	means end of day of the relevant Valuation Day.

References herein to “Dollars” and to the sign “US\$” or “\$” are to the currency of the United States.

All references to time are to Mauritius time, unless otherwise stated. Capitalized terms not otherwise defined herein shall have the same meaning as ascribed to them in the Constitution and vice versa. The Constitution and the Prospectus shall be considered concurrently for the purposes of interpretation and construction thereof. In case of any conflict in any term of the Constitution and the Prospectus, recourse shall be made to the intention set out in the Prospectus.

SECTION I: SUMMARY OF PRINCIPAL TERMS

The following summary is intended to highlight certain information in the body of this Prospectus and is intended only for quick reference. The information in this table is subject to more detailed information provided elsewhere in this Prospectus. The terms hereof are subject to modification or withdrawal. Potential Investors are urged to read carefully this entire Prospectus and the Appendices before making an investment in the Fund.

INTRODUCTION

This Prospectus describes details of the Funds being offered and the classes constituted therein, certain risks associated with Participating Shares, and the terms on which investments may be made.

Structure

SBM India Fund (“Fund”) has been incorporated in Mauritius as a public company with limited liability, and holds a Category 1 Global Business License issued by the FSC on the 31st of March 2011 and is authorized as an Open-ended Collective Investment Scheme (“CIS”) for the purposes of the Mauritian Securities Act 2005 and the Securities (Collective Investment Schemes and Closed-End Funds) Regulations 2008. The Investment Manager is a manager of the assets of the Fund and will conduct the Fund’s investment activities, subject to overall supervision of the Board of the Fund.

The Fund shall have two directors who are local residents of Mauritius, and who can exercise independence of mind and judgment on its Board and shall retain a resident company secretary. The Fund will appoint a resident Administrator and bank, and will maintain its books of account, records and register of Shareholders at its registered office.

Fund

The Fund is incorporated in Mauritius as a public company with limited liability. The registered office of the Fund is located at 4th Floor, Raffles Tower, 19 Cybercity, Ebène, Mauritius. The Fund is incorporated as a public company limited by shares on 12th of October 2007 under the Act.

The Fund is being established as an investment vehicle for pooling of funds from potential Investors.

Investment Manager

SBM Asset Management Ltd (“SAML”), a private company incorporated with limited liability under Mauritius laws is the Investment Manager of the Fund. The Investment Management Agreement grants to the Investment Manager, investment authority over the assets of the Fund and authorizes the Investment Manager to manage the Fund’s securities portfolio on a day to day basis, subject to the overall supervision of the Board of the Fund.

The Investment Manager and its nominees may hold Management Shares as may be determined by the Board. The Management Shares will not participate in the profits or losses of the Fund, but shall carry all voting rights for the Fund, provided the holders of Participating Shares shall be entitled to vote only in cases of variation of their Class rights.

For more information about the Investment Manager, please refer to Section IV titled “Management and Administration of the Fund”.

The Investment Advisor

The Investment Manager may enter into an Investment Advisory Agreement pursuant to which an investment advisor would be engaged to provide non-binding and non-exclusive investment advice to the Investment Manager based on the investment policy and objective of the Fund. The role of any such Investment Advisor would be purely advisory with no executor powers or binding effect whatsoever. Investment advisors may appoint sub-advisors from time to time to assist them in their advisory function, subject to the approval of the Investment Manager and as per the terms of the relevant Investment Advisory Agreement.

Capital Structure

The share capital of the Company is divided into the following classes of shares with the rights specified hereinafter:

- (a) One class of management shares (“Management Shares”) out of which 10 shares have been issued and fully paid up of one US Dollar each with a par value of USD 1.00 each to be issued to the Investment Manager with the following rights:
 - (i) one vote for each Management Share and all voting rights relating to the management of the Company will be vested in the Management Shares which will be held by the SBM Global Investments Limited;
 - (ii) The holders of the Management Shares will have no right to receive dividends nor any rights to participate nor receive surplus funds upon liquidation of the Fund other than a return of the nominal paid-up capital per Management Share of US\$ 1.00; and
 - (iii) are non-redeemable;
- (b) One class of participating shares (“Participating Shares”) for Institutional Investors, thereafter denominated as Class A Participating Shares, which shall be issued, at no par value in USD as shall be determined by the Board of Directors with the following rights:

- (i) No voting rights;
 - (ii) the right to an equal share in dividends declared and authorized by the Board subject to satisfying the solvency test ;
 - (iii) the right to an equal share in the distribution of the surplus assets of the Fund.
- (c) One class of participating shares (“Participating Shares”), thereafter denominated as Class B Participating Shares, which shall be issued, at no par value in USD as shall be determined by the Board of Directors with the following rights:
- (i) No voting rights;
 - (ii) the right to an equal share in dividends declared and authorized by the Board subject to satisfying the solvency test ;
 - (iii) the right to an equal share in the distribution of the surplus assets of the Fund.

Management Shares:

Management Shares having a par value US\$ 1 per share will hold all the voting rights in the Fund except (a) as provided in the Constitution, and (b) for the right of Shares of each Class to vote on variations of its Class rights. The Investment Manager (or one of its affiliates/nominees) will hold all the Management Shares issued by the Fund, which are non-redeemable, at a price per share equal to its par value. The Management Shares will have no rights to receive dividends or other distributions from the Fund except for a return of their par value when the Fund is wound up.

The Fund may also offer Shares, prior to or subsequent to the date hereof, on terms different than those received by the Shareholders set forth above and, accordingly, the Board of the Fund reserves the right to create additional classes of Shares with rights, powers and duties different than those set forth above. This right of the Board of the Fund will be subject to the statutory restriction that no action will be taken to vary the class rights attaching to Shares without the prior approval b special resolution of the holders of the Shares.

Administrator

The Fund has entered into an investment administration agreement (the “Investment Administration Agreement”) with

SBM Fund Services Ltd (the “Administrator”). The Administrator will perform NAV calculation, accounting, registrar, corporate actions and other administration services for the Fund.

FII Licensee

The Fund has entered into a sub account agreement (the “Sub Account Agreement”) with **SBM Capital Management Limited** (the “FII Licensee”). The FII Licensee will assist the Fund to invest in the Indian market.

Eligible Investors

No offer to sell (or solicitation of an offer to buy) is being made in any jurisdiction in which such offer or solicitation would be unlawful. The Shares are a speculative investment and their purchase involves a high degree of risk. A subscription for the Shares should be considered only by subscribers who have carefully read and understood this Prospectus.

Indian residents are not eligible for making investments in the Fund.

Shares may be subscribed only by Qualified Holders who can either be an institution or individual and resident or non-resident of Mauritius. The Fund will not knowingly offer or sell Shares to any Investor who is not a Qualified Holder or to whom such offer or sale would be unlawful, or to any Investor who, by investing in the Fund, would commit a breach of the laws and regulations relating to the prevention of money laundering in his jurisdiction, or in Mauritius.

Minimum Investment

The minimum initial investment for the Shares that will be accepted from a Qualified Holder is US\$ 100,000 for Class A Participating Shares and US\$ 100 for Class B Participating Shares. The Board may, after consulting the Investment Manager, and at its sole discretion, waive the minimum investment amount provided that this does not breach the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008, issued under the Securities Act 2005 of Mauritius.

Subscriptions

After the Initial Offer Period, the Shares will be offered to Qualified Holders for subscription on a daily basis (“Offer Period”). The subscription price per Investor Share shall be the Net Asset Value per Investor Share as on the Valuation Day immediately preceding the Dealing Day on which the Application is accepted. The form for Subscriptions must be sent to the Administrator at least 3 (three) Business Days prior to the relevant Dealing Day. Cleared funds in respect of the subscription monies relating to the Subscription must be received in full, in the Fund’s bank account at least 1 (one) Business Day prior to the relevant Dealing Day. All applications for Subscriptions should be received in accordance with the

form provided in the Subscription Form entered into by the Shareholder with the Fund.

Investment Objective

The objective of the Fund is to generate capital appreciation through investment in equity and equity related instruments in India. The Fund will seek to generate capital appreciation through means of contrarian investing.

Investment Strategy

The funds collected under the Fund will be invested in the equities of:-

1. Companies that are fundamentally sound, but generally are undervalued at the time of investment due to lack of Investor interest.
2. Companies that have embarked on the path of turnaround by restructuring of operations, hiving off unrelated business etc. and where the results of the turnaround are likely to accrue in the long term.
3. Companies with strong management, but operating in commodities, where there are signs of bottoming out of the business cycle.

Contrarian investing involves picking 'neglected stocks' with strong asset values as well as focusing on high potential under owned sectors. The Fund intends to identify potentially undervalued stocks across sectors utilizing both top down and bottom up approach and believes in incubating such stocks for a while before they find favour with rest of the market. The aim is to have a first mover advantage by investing into out of favour sectors/stocks thus increasing out-performance prospects.

This can be done by monitoring stock/sector ownership and relating it to the fundamentals of the sector with an objective to get out of over-owned stocks and get into under-owned ones.

The Fund will also try to proactively identify new investment themes before a majority of Investors and examine the play on the relative attractiveness of mid capitalizations and large capitalizations and adjust the market capitalizations of the portfolio towards higher return potential.

The Fund will have reasonably diversified portfolios without the risk of being overly diversified in as much as the Fund will aim to have concentrated well-researched portfolio, which would be around 20-50 in terms of the number of stocks per portfolio. This will vary according to the size of the Fund.

Term of the Fund

The Fund will continue in existence indefinitely; provided that with the approval of the holders of Management Shares by special resolution, the Fund may, at any time dissolve, liquidate

its investments and distribute its assets to the Shareholders. On the liquidation of the Fund, the assets available for distribution will be divided as follows:

(i) First, in the payment to the holders of Participating Shares of a sum in US Dollars (or in any other currency selected by the liquidator) as nearly as possible equal to the amount of the Participating Shares held by such holders respectively, provided that there are sufficient assets available in the Class to enable such payment to be made. In the event that there are insufficient assets available in the Class to enable such payment to be made, the available assets attributable to the Class shall be distributed exclusively to the holders of the Participating Shares pro rata to their respective Shareholdings;

(ii) Second, in the payment to the holders of the Management Shares of sums up to the par value paid up thereon out of the assets of the Fund. In the event that there are insufficient assets as aforesaid to enable such payment in full to the holders of the Management Shares to be made no recourse shall be had to any other assets of the Fund whether comprised within the Class or otherwise; and

(iii) Third, in the payment to the holders of Participating Shares of any balance then remaining in the Class, such payment being made as nearly as practicable in proportion to the number of Participating Shares held in the Class.

Risk Factors

An investment in the Fund involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund carries with it the inherent risks associated with investments in securities and other instruments. In addition, in trying to meet its investment objective, the Fund might underperform the markets in scenarios of strong upward or downward cycles. The Fund seeks to generate returns out of identifying themes and market segments that are likely to outperform in the future. This may or may not happen. Each prospective Eligible Investor should review the Prospectus and the agreements referred to herein before deciding to invest in the Fund.

Side Letters

The Fund may from time to time enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Shareholders and/or its advisors which provide such Shareholders and/or its advisors with additional and/or different rights (including, without limitation, with respect to the Subscription Fee, redemptions, access to information and

minimum investment amounts) than other Shareholders have pursuant to this Prospectus and the Constitution. Such Shareholders and/or its advisors may be employees or affiliate of the Investment Manager, relatives of such persons, or certain large or strategic Investors. The Fund will not be required to notify any or all of the other Shareholders of any such written agreements or any of the rights and/or terms or provisions thereof, nor will the Fund be required to offer such additional and/or different rights and/or terms to any or all of the other Shareholders.

Dividend policy

In accordance with the Fund's investment objective, it is not envisaged that any income or gains derived from its investments will be distributed by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. In the event that a dividend is declared and remains unclaimed after a period of 6 years from the date of declaration, such dividend will be forfeited and will revert to the Fund. To the extent that a dividend may be declared, it will be paid in compliance with any applicable laws.

Transfer Restrictions

Subject to the Constitution, no transfer or sale of Shares may be made without the prior written consent of the Board of the Fund, and any attempt to do so without such consent shall not be valid.

Exculpation and Indemnification

The Investment Manager, the Board of the Fund, the Administrator and certain of their affiliates are entitled to certain exculpation and indemnification rights under the Fund's Constitution, various service agreements with the Fund and the Prospectus.

Shareholder Reports

The following reports shall be made available on the website of the Investment Manager or its affiliates or upon request: (i) annual financial statements of the Fund prepared in accordance with IFRS and audited in accordance with International Standards of Auditing by an independent firm of chartered accountants established in Mauritius; (ii) in the discretion of the Investment Manager, periodically, a letter from the Investment Manager discussing the results of the Shares; and (iii) other reports as determined by the Board of the Fund in its sole discretion. The Fund shall bear all fees incurred in providing such reports.

The Investment Manager may agree to provide certain Shareholders with additional information on the underlying investments of the Fund, as well as access to the Investment Manager and its employees for relevant information.

Voting rights and Amendments

Shareholders holding Shares, except for the Management Shares, have no right to participate in the management of the “Fund” The Shares, however, generally carry the right for the holder to receive notice of and to vote at Shareholders’ meetings as regards the rights attaching to Shares being varied only with the approval of the holders of three-quarters of the Shares.

Brokerage Practices

Portfolio transactions for the Fund will be allocated by the Investment Manager to brokers on the basis of best execution and in consideration of such brokers’ ability to effect transactions, the brokers’ facilities, reliability and financial responsibility, and the provision or payment of the costs of research and other brokerage related services. The Investment Manager will have the sole discretion of managing the broker practices.

Material Documents

The Constitution, the Subscription Form, the Investment Management Agreement, the Investment Administration Agreement and the Custodian Agreement.

Additional Information

Prospective Investors are invited to meet with the Investment Manager for a further explanation of the terms and conditions of the offering of Participating Shares and to obtain any information necessary to verify the information contained in the Fund Documents, to the extent the Investment Manager possesses such information or can acquire it without unreasonable effort or expense. Request for such information should be directed in writing to the Investment Manager. However, no representations or warranties shall be binding on the Fund unless such representation and warranties are made in writing and signed by the Fund.

Functional Currency

The Fund’s functional currency (i.e., the currency in which it maintains its books, records and financial statements) will be the U.S. Dollar.

Investor Suitability Standards

No offer to sell (or solicitation of an offer to buy) is being made in any jurisdiction in which such offer or solicitation would be unlawful. The Participating Shares is a speculative investment and their purchase involves a high degree of risk. A subscription for Participating Shares should be considered only by subscribers who have carefully read and understood this Prospectus and the relevant Fund Documents.

The Shares shall be available only to Qualified Holders.

Legal Advisors to the Fund

DEV R ERRIAH of Erriah Chambers, 2nd Floor, Jamalacs Building, Vieux Conseil Street, Port-Louis, Mauritius will act as the Mauritius legal counsel.

Company Secretary

APEX Fund Services Ltd, a Management Company incorporated under the laws of the Republic of Mauritius with its registered address at 4th Floor, Raffles Tower, 19 Cybercity, Ebène, Mauritius

Custodian

HDFC Bank Ltd, a public company limited by shares incorporated under the laws of India with its registered address at HDFC Bank House, Senapati Bapat Marg, Lower Parel (W) Mumbai – 400 013, India. The Custodian holds the assets of the Fund on behalf of Shareholders. The Custodian may appoint sub-custodians, nominees, agents or delegates at the expense of the Company or otherwise in the performance of its duties, subject to the Custodian Agreement.

Auditors

Deloitte, a company incorporated under the laws of the Republic of Mauritius with its registered address at 7th Floor, Raffles Tower, 19, Cybercity, Ebène, Mauritius

Tax Consultants

Gandhi Paleja & Associates, a partnership registered under the laws of the Republic of India with its registered address at I/12, Everest Bldg., Opp. Tardeo Bus Depot, Tardeo, Mumbai 400 034, India

SECTION II: STRUCTURE

FUND

The Fund is a public company, limited by shares incorporated under the laws of Mauritius on 12th of October 2007. The Fund holds a Category 1 Global Business License from the Mauritius Financial Services Commission (“FSC”) on the 31st of March 2011 (the “License”) and has been authorised as an open-ended fund CIS under the Securities Act 2005, as amended. The Fund’s license is renewable on the 30th of June of each year provided that the Fund complies with the conditions attached to the License and pays its annual license fees within the prescribed period. The Fund is authorised by the FSC to operate as open-ended Fund for the purposes of the Securities Act 2005 and the Securities (Collective Investment Schemes and Closed-End Funds) Regulations 2008. The registered office of the Fund is at 4th Floor, Raffles Tower, 19 Cybercity, Ebène, Mauritius.

The Fund’s investment objective will be to generate capital appreciation through investment in equity and equity related instruments in India. The Fund will seek to generate capital appreciation through means of contrarian investing.

The funds collected under the Fund will be invested in the equities of:-

1. Companies that are fundamentally sound, but generally are undervalued at the time of investment due to lack of Investor interest.
2. Companies that have embarked on the path of turnaround by restructuring of operations, hiving off unrelated business etc. and where the results of the turnaround are likely to accrue in the long term.
3. Companies with strong management, but operating in commodities, where there are signs of bottoming out of the business cycle.

Contrarian investing involves picking ‘neglected stocks’ with strong asset values as well as focusing on high potential under owned sectors. The Fund intends to identify potentially undervalued stocks across sectors utilizing both top down and bottom up approach and believes in incubating such stocks for a while before they find favour with rest of the market. The aim is to have a first mover advantage by investing into out of favour sectors/stocks thus increasing out-performance prospects. This can be done by monitoring stock/sector ownership and relating it to the fundamentals of the sector with an objective to get out of over-owned stocks and get into under-owned ones.

At the date of this Prospectus, the Fund shall have Management Shares and Participating Shares including two (2) Classes of Shares. of which one class shall be for Institutional Investors The Participating Shares shall be issued to Qualified Holders. The Constitution allows the Fund to create further classes of shares with different rights should the Board deem appropriate.

The Fund shall also issue Management Shares which shall have all the voting rights, except in case of a modification or variation of rights of a specific Class, and which shall be held by the Investment Manager. No dividends shall be payable on the Management Shares.

The Fund has appointed SBM Asset Management Ltd, as the Investment Manager under the Investment Management Agreement, to manage and invest the assets of the Fund in accordance with Section III: Investment Objectives, Strategy and Process, as stated below.

The Investment Manager may enter into an Investment Advisory Agreement. The Investment Advisor will provide non-binding and non-exclusive investment advice to the Investment Manager on the investment opportunities available. . The Investment Manager shall have full discretion to accept or reject investment advice provided by Investment Advisor and shall be under no obligation whatsoever to invest as per advice provided by Investment Advisor.

The Fund will be governed by the Companies Act 2001, the FSA 2007, Income Tax Act 1995 as amended, the Regulations and such other laws and regulations now applicable to it as amended from time to time.

There exist under the FSA 2007 provisions for suspension or revocation of the Global Business Licence of the Fund or the Management Company licensed by the FSC in case of any act or omissions which may lead to breaches of the conditions of the Licence or tarnish the international reputation of Mauritius or the financial services industry or the people of Mauritius.

EXCHANGE OF INFORMATION

There exist under the laws of Mauritius including treaty provisions, various exchange of information mechanisms between Mauritius and certain countries including India, whereby the authorized public authority in Mauritius will provide such lawful request of exchange of information made by a foreign competent authority.

SECURITIES ACT 2005

The Mauritian Parliament enacted a new Securities Act in 2005, which is now in force and effect. Under the Securities Act 2005, the Ministry of Finance has enacted regulations in 2008 namely the Securities (Collective Investment Scheme and Closed- end Fund) Regulations 2008 (the “Regulations”) and the Financial Services Commission has issued rules for CIS and closed-end fund. The coming into force of the Securities Act 2005 and these Regulations may impact the administration and financial performance of the Fund by prescribing restrictions on its operations and additional disclosure requirements

SECTION III: INVESTMENT OBJECTIVES, STRATEGY, PROCESS, RESTRICTIONS AND RISK CONSIDERATIONS

INVESTMENT OBJECTIVE

The investment objective of the Fund is to generate capital appreciation through investment in equity and equity related instruments in India. The Fund will seek to generate capital appreciation through means of contrarian investing.

The funds collected under the Fund will be invested in the equities of:-

1. Companies that are fundamentally sound, but generally are undervalued at the time of investment due to lack of Investor interest.
2. Companies that have embarked on the path of turnaround by restructuring of operations, hiving off unrelated business etc. and where the results of the turnaround are likely to accrue in the long term.
3. Companies with strong management, but operating in commodities, where there are signs of bottoming out of the business cycle.

Contrarian investing involves picking 'neglected stocks' with strong asset values as well as focusing on high potential under owned sectors. The aim is to have a first mover advantage by investing into out of favour sectors/stocks thus increasing out-performance prospects. This can be done by monitoring stock/sector ownership and relating it to the fundamentals of the sector with an objective to get out of over-owned stocks and get into under-owned ones.

The sectors/stocks in the Fund would change in line with market conditions.

INVESTMENT STRATEGY

The Fund intends to identify companies that are fundamentally sound, but generally are undervalued at the time of investment due to lack of Investor interest, companies that have embarked on the path of turnaround by restructuring of operations, hiving off unrelated business etc. and where the results of the turnaround are likely to accrue in the long term; companies with strong management, but operating in commodities, where there are signs of bottoming out of the business cycle. Contrarian investing involves picking 'neglected stocks' with strong asset values as well as focusing on high potential under-owned sectors. The Fund intends to identify potentially undervalued stocks across sectors utilizing both top down and bottom up approach and believes in incubating such stocks for a while before they find favour with the rest of the market. The aim is to have a first mover advantage by investing into out of favour sectors/stocks thus increasing out-performance prospects. This can be done by monitoring stock/sector ownership and relating it to the fundamentals of the sector with an objective to get out of over-owned stocks and get into under-owned ones.

The Fund will also try to proactively identify new investment themes before a majority of investors and examine the play on the relative attractiveness of mid capitalizations and large capitalizations and adjust the market capitalizations of the portfolio towards higher return potential.

The Fund will have reasonably diversified portfolios without the risk of being overly diversified in as much as the Fund will aim to have concentrated well-researched portfolio, which would be around 20-50 in terms of the number of stocks per portfolio. This will vary according to the size of the Fund.

ASSET ALLOCATION PATTERN

<i>Instruments</i>	<i>Indicative Allocations (% of total assets)</i>		<i>Risk Profile</i>
	<i>Minimum</i>	<i>Maximum</i>	<i>High/Medium / Low</i>
<i>Equity and Equity Related Instruments (including units of equity mutual funds)</i>	<i>85</i>	<i>100</i>	<i>High</i>
<i>Debt & Money Market Instruments and/ or Units of Indian Fixed Income Mutual Funds</i>	<i>0</i>	<i>15</i>	<i>Low</i>

Maximum exposure to the derivatives shall not exceed 50 % of the Net assets of the Fund. The cumulative gross exposure through equity, debt and derivative positions shall not exceed 100% of the net assets of the Fund, subject to provisions of Securities Exchange Board of India (“SEBI”) circular dated August 18, 2010 with respect to investment in derivatives.

The above percentages will be reckoned at the time of investment and the above allocation is based on a steady state situation. The above asset allocation is only indicative and may vary according to circumstances at the sole discretion of the Investment Manager on defensive consideration. Investments other than in equity will be made for managing liquidity. The preferred instruments will be Money market instruments.

BENCHMARK INDEX

On the basis of investment objective / asset allocation pattern of the Fund, BSE 500 has been currently selected as the benchmark of the Fund. The performance of the Fund will be compared with that of benchmark.

About BSE 500:

BSE 500 – Stock Market Index consisting of 500 scrips is maintained by Bombay Stock Exchange Ltd. The changing pattern of the economy and that of the market were kept in mind while constructing this index. BSE-500 index represents nearly 93% of the total market capitalization on BSE. BSE-500 covers all 20 major industries of the economy. In line with other BSE indices, effective August 16, 2005 calculation methodology was shifted to the free-float methodology.

Source: www.bseindia.com

INVESTMENT RESTRICTIONS

The following investment restrictions are currently applicable to the Fund:

1. At the time of investment, the Fund shall not take an exposure higher than 9.5% of its NAV into the equity shares or equity related instruments of any one company. In case, due to appreciation, the exposure goes above 12.5% the Investment Manager will sell part of the holding so as to restrict the exposure below 12.5%. The industry exposure to a particular industry will not be greater than 30% for the Fund.
2. The Fund shall not own more than 10% of any company's paid up capital carrying voting rights.
3. The Fund may not invest more than 5% of its NAV in mutual funds or exchange traded funds managed by one asset management companies.
4. The Fund shall not make any investment in:
 - a. any unlisted security of an associate or group company of the Investment Adviser.
 - b. any security issued by way of private placement by an associate or group company of the Investment Adviser.
 - c. the listed securities of group companies of the Investment Adviser which is in excess of 15% of the net assets.
5. The Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:
 - a. Provided that the Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI or RBI.
 - b. Provided further that the Fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.
6. The Fund will comply with the following restrictions for trading in exchange traded derivatives in accordance with the framework specified by SEBI:
 - a. Position limit for the Fund in equity index options contracts:
 - i. The Fund position limit in all index options contracts on a particular underlying index shall be 1% of the total open interest of the market in index options per stock exchange.
 - ii. This limit would be applicable on open positions in all options contracts on a particular underlying index.
 - b. Position limit for the Fund in equity futures contracts:

- i. The Fund position limit in all index futures contracts on a particular underlying index shall be 1% of the total open interest of the market in index futures per stock exchange.
 - ii. This limit would be applicable on open positions in all options contracts on a particular underlying index.

- c. Additional position limit for hedging
In addition to the position limits at point (a) and (b) above, the Fund may take exposure in equity index derivatives subject to the following limits:
 - i. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Fund's holding of stocks.
 - ii. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Fund's holding of cash, government securities, Treasury Bills and similar instruments.

- d. Position limit for the Fund for stock based derivative contracts
The Fund's position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts, is defined in the following manner:
 - i. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of the Fund shall not exceed the higher of:
 - 1% of the free float market capitalization (in terms of number of shares)

 - or

 - 5% of the open interest in the derivative contract on a particular underlying stock (in terms of number of contracts).
 - ii. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

As specified by SEBI, the following additional restrictions shall be applicable to the Fund with respect to investment in derivatives:

- a. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the Fund.
- b. The Fund shall not write options or purchase instruments with embedded written options.
- c. The total exposure related to option premium paid must not exceed 20% of the net assets of the Fund.
- d. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
- e. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:

- i. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
 - ii. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point (a).
 - iii. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
 - iv. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
- f. The Fund may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the Fund. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the Fund.
- g. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point (a).
- h. Definition of Exposure in case of Derivative Positions:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option Premium Paid * Lot Size * Number of Contracts

7. The Fund shall not advance any loans.
8. The Fund shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of repurchase/redemption of Shares or payment of interest and/or dividend to the Shareholders provided that the Fund shall not borrow more than 20% of the net assets of the Fund and the duration of the borrowing shall not exceed a period of 6 months.
9. The Fund does not intend to hedge currency exposure to Indian Rupees ("INR"). However, the Investment Manager may from time to time enter into currency hedging contracts.

RISK CONSIDERATIONS

All securities investments present a risk of loss of capital. The Investment Manager hopes to moderate this risk of loss through a careful selection of investments. However, no guarantee or representation is made that the Fund's investment strategy will be successful.

The Fund's investments in portfolio companies may be subject to wide swings in value. The Investment Manager will follow an investment policy, which, if unsuccessful, could involve substantial losses. Although the Investment Manager has the flexibility to react to changing market conditions, adverse changes in a portfolio company's situation could involve substantial losses. The Investment Manager makes no guarantee, either oral or written, that the Fund's investment objective will be achieved. Under the Investment Management Agreement, the Investment Manager is not liable for any error in judgment and/or for any investment losses the Fund may experience, in the absence of bad faith, fraud, gross negligence, willful misconduct or a willful violation of applicable law.

Eligible Investors should be aware of the risks associated with the Fund's investment policies and are advised to consult with their professional advisors, such as lawyers, financial advisors or accountants, when determining whether an investment in the Fund is suitable for them. An investment in the Fund may lead to returns in the long-term, and Investors should be aware that they may not achieve capital appreciation/income in the short-term.

RISK MANAGEMENT

The Fund's positions will be the result of extensive research and due diligence analysis. This includes diversification by industries, geographies, security types and market capitalization. The positions in the portfolio comply with certain concentration limits as may be decided by the Investment Manager from time to time. The areas of concentration include limits on exposure to any single security, market sector concentration, and market capitalization concentration.

Eligible Investors should consider, among others, the following non-exhaustive list of factors, before subscribing in the Participating Shares:

Investment-Related Risks

Since the Fund has a contrarian style of investment, it might underperform the markets in scenarios of strong upward or downward cycles. The Fund seeks to generate returns out of identifying themes and market segments that are likely to outperform in the future. This may or may not happen.

Stock Market Volatility

The stock markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently from large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

Securities listed on stock exchanges may have low market capitalization and trading volume. There can be no assurance that sales on the stock exchanges will provide a viable exit mechanism for the Fund's investments.

The prices of financial instruments in which the Fund may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund also is subject to the risk of the failure of any of the exchange on which its positions trade or of its clearing house.

Liquidity or Marketability Risk

The securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

Risks associated with investing in Derivatives

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Investor. Execution of such strategies depends upon the ability of the Investment Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Investment Manager involve uncertainty and decision of Investment Manager may not always be profitable. No assurance can be given that the Investment Manager will be able to identify or execute such strategies.

Leverage

The Fund has no intention to use any leverage.

Business Risk

There can be no assurance that the Fund will achieve its investment objective. There may not be an operating history by which to evaluate their likely future performance. The investment results of the Fund are reliant upon the success of the Investment Manager. Moreover, the past performance of the Investment Manager may not be indicative of their future performance.

Currency Risk

The Fund may invest most of the Fund's assets in debt and equity securities denominated in the Indian Rupees ("INR") However, the Fund values its securities and other assets in U.S. Dollars. To the extent unhedged, the value of the Fund's assets will fluctuate with the exchange rate between the U.S. Dollar and the INR Thus, an increase in the value of the U.S. Dollar compared to the INR in which the Fund makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the Fund's securities in the Indian market. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effects of increases and reducing the effects of decreases in the prices of the Fund's non-U.S. Dollar securities. The Fund may, at the discretion of the Investment Manager, enter into foreign exchange hedging transactions in an attempt to hedge the non-U.S. Dollar underlying exposure of the assets of the Fund.

Availability and Accuracy of Information

The Investment Manager will select investments for the Fund on the basis of information and data derived from first-hand research by the Investment Manager. Although the Investment Manager intends to evaluate all such information and data and to seek independent corroboration when the Investment Manager consider it appropriate and when it is reasonably available, the Investment Manager will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data.

Availability of and Ability to Acquire Suitable Investments

While the Investment Manager believes that many attractive investments of the type in which the Fund may invest are currently available and can be identified, there can be no assurance that such investment will be available when the Fund commences investment operations, or that available investments will meet the Fund's investment criteria. Furthermore, the Investment Manager may be unable to find a sufficient number of attractive investment opportunities to meet the Fund's investment objective.

High Portfolio Turnover and Recognition of Gains

The Fund's investment strategy may result in a short holding period before investments are rolled over into new investments or sold. This will cause the recognition of any investment gains on a more frequent basis than other investment strategies. Many of those gains will not likely qualify for the holding period needed for capital gains tax treatment. Therefore, taxable Investors in the Fund may have a greater need to pay regular taxes (out of their own resources or by requesting redemptions) than compared to other investment strategies that hold investments longer.

Small to Mid Capitalized Companies

The financial instruments of small to mid capitalised companies tend to be closely followed by fewer market participants than those of larger capitalised listed equities. The result is persistent structural inefficiencies as well as those of a transient or frictional nature related to both corporate events and identified short to medium term mispricing. This could work to both the Fund's advantage and disadvantage.

Dividend related risk

Payments of dividends are not currently contemplated. Those who anticipate the need for income from dividends from their investments should not invest in the Fund. **It is presently intended that all earnings of the Fund will be reinvested.**

Availability of Investment Strategies

The success of the Fund's investment activities will depend on the Investment Manager's ability to identify overvalued or undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Fund involves a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to identify suitable investment opportunities in which to deploy all of the Fund's assets or to exploit discrepancies in the securities markets. A reduction in corporate sector activity and the pricing inefficiency of the markets in which the Fund will seek to invest, as well as other market factors, will reduce the scope for the Fund's investment strategies.

Concentration of Investments

Although it will be the policy of the Fund to diversify its investment portfolio, the Fund may at certain times hold relatively few investments. The Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

General Economic Conditions

The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for

both equities and interest-sensitive securities. Unexpected volatility or illiquidity in the markets in which the Fund (directly or indirectly) holds positions could impair the Fund's ability to carry out its business or cause it to incur losses.

Emerging Markets

The Fund will invest its assets in emerging markets. Investment in such markets involves risk factors and special considerations, which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging countries in which investments may be made, including expropriation, nationalisation or other confiscation could result in loss to the Fund. By comparison with more developed securities markets, most emerging countries securities markets are comparatively small, less liquid and more volatile. In addition settlement, clearing and registration procedures may be under developed, thereby enhancing the risks of error, fraud or default. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of investor information or protection as would generally apply to more developed markets.

Suspensions of Trading

Each securities exchange typically has the right to suspend or limit trading all securities that it lists. Such a suspension would render it impossible for the Fund to liquidate positions of any listed securities and, accordingly, could expose the Fund to losses.

Government Intervention

The prices of instruments in which the Fund may trade or invest will be subject to certain risks arising from government regulation of or intervention in the markets, through regulation of the local market, restrictions on investments by foreign residents or limits on flows of investment funds. Such regulation or intervention could adversely affect the Fund's performance.

Dependence upon the Investment Manager

The Fund is highly reliant upon the knowledge and expertise of the Investment Manager in selecting, acquiring, monitoring and ultimately disposing of suitable investments. The success of the Fund will therefore depend significantly upon the ability of the Investment Manager and its continuing involvement with the Fund. Should the services of the Investment Manager not be available to the Fund for part of or the entire duration of the operation of Fund the success of the Fund may be adversely affected.

Management Participation

Participating Shareholders will not participate in the management of the Fund or in the conduct of its business. In addition, the Participating Shareholders are not able to remove or replace the Investment Manager, the Administrator, or any other agents of the Fund, a decision to do so being a matter entirely for the Directors of the Fund and the holder of the Management Shares.

Counterparty Risk

The Fund will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Net Asset Value Considerations

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Fund's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the Subscription Price paid by such Shareholder or if there remain any unamortised costs and expenses of establishing the Fund.

Investments in Initial Public Offerings

The Fund may invest in initial public offerings. Such investments offer the opportunity for significant appreciation; however, they are speculative and involve a high degree of risk. It is characteristic of the initial public offerings market that certain companies may be extremely successful, while a much higher percentage of newly public companies fail.

Options

The Fund has authority to invest in options. The purchaser of a put or call option can lose its entire investment in a relatively short period of time.

Futures

Transactions in futures and forwards carry a high degree of risk as prices can be volatile and market movements cannot be accurately predicted.

Track Record

No assurance can be given that the Fund will succeed in meeting its investment objective or that its assessments of the short-term or long-term prospects, volatility and correlation of the types of investments referred to in this Prospectus will prove accurate.

Illiquidity

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop. Participating Shareholders will, however, be able to realise their investment in the Fund by redeeming their Shares or by a transfer to an investor who is a qualified Investor as described under Section V below. Redemptions will generally only be accepted on a daily basis and may, in appropriate circumstances, also be deferred at the discretion of the Directors as set out under Section VI below.

Substantial Redemptions

Substantial redemptions by Participating Shareholders within a short period of time could cause the Investment Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the Net Asset Value of the Fund. The resulting reduction in the Net Asset Value of the Fund could make it more difficult to generate a positive rate of return or to recoup losses due to a reduced equity base.

Compulsory Redemptions

Under certain circumstances, as outlined under Section VI, the Fund may compulsorily redeem Participating Shareholder's Shares.

Risk of Early Losses

If the Fund begins trading under market conditions which result in substantial early losses, the risk of the Fund having to terminate its trading will be substantially increased. The Fund could experience substantial cash flow difficulties were its assets to be depleted early, particularly in view of the fees and expenses to which the Fund is subject. The Fund may commence trading operations at an unpropitious time resulting in significant initial losses.

Early Termination

In the event of a premature termination of the Fund's activities, the Fund would have to distribute to the Participating Shareholders their pro rata interest in the assets of the Fund. At the time of such sale or distribution, certain securities held by the Fund may be illiquid and could therefore be worth less than the initial cost of such securities, resulting in loss to Shareholders.

Price Fluctuations

It should be remembered that the value of Shares and the income (if any) derived from them can go down as well as up.

Transaction Costs

The Fund's investment approach will involve a high level of trading and turnover of the Fund's investments which may generate substantial transaction costs which will be borne by the Fund. Brokers' commissions may vary depending upon the broker and upon the level of service provided by such broker.

Indemnification

Under the Fund's Constitution, the Directors of the Fund are entitled to be indemnified out of Fund's assets against costs, losses and expenses which such person may incur or become liable in connection with the execution of such person's duties. In addition, the Investment Manager, the Administrator and the Custodian are entitled to indemnity by the Fund under the terms of their respective agreements for services with the Fund. These obligations could require the Fund to make substantial indemnification payments.

Tax Considerations

Where the Fund invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Fund will not be able to recover such withheld tax and so any change would have an adverse effect on the Net Asset Value of the Fund. Where the Fund sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Fund.

SECTION IV: MANAGEMENT AND ADMINISTRATION OF THE FUND

INVESTMENT MANAGER

The Fund has appointed SBM Asset Management Ltd ("SAML"), as the Investment Manager under the Investment Management Agreement, to manage and invest the assets of the Fund. SBMMAM was incorporated as a private company limited by shares on the 17th October 2007 and is licensed as a CIS Manager by the FSC. Subject to the Investment Management Agreement, the Investment Manager may delegate, with the consent of the Company, the management of the Funds' portfolio, or any part thereof, to other investment professionals or related companies. The Investment Manager or its appointed investment advisor is not restricted from providing administration services to the Company. The Board of directors of the Investment Manager consists of the following persons:

1. Mr. Gautam Vir
2. Mr. Daniel Ng Tseung
3. Mr. Chandradev Appadoo

ADMINISTRATOR

SBM Fund Services Ltd, a company incorporated under the laws of Mauritius has been appointed as the Fund's administrator, registrar and paying agent (the "Administrator"). The Administrator and its affiliates provide administrative services for other investment funds.

The Administrator is a licensed Administrator under the Securities Act 2005. The Administrator is a wholly owned subsidiary of SBM Ltd, a licensed Bank.

The office address of the Administrator is at SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius and the telephone number is +230 202 1480/+230 210 3369.

Pursuant to an administrative services agreement between the Fund and the Administrator (the "Administration Agreement"), the Administrator is responsible, under the ultimate supervision of the Directors, for certain matters pertaining to the administration of the Fund, including: (i) maintaining the Fund's accounts, (ii) calculating the Net Asset Value and the Net Asset Value per Share (iii) maintaining the Fund's principal corporate records, (iv) communicating with Shareholders, (v) accepting the subscriptions of new Shareholders, (vi) making redemptions of the Shares, and (vii) ensuring compliance with Mauritius law and regulation (including but not limited to anti-money laundering regulations). The fee payable to the Administrator is based on its standard schedule of fees charged by the Administrator for similar services.

The Administration Agreement is governed by Mauritius law and generally subject to termination by the Administrator or by the Fund upon 90 days' written notice. Under the Administration Agreement between the Fund and the Administrator, the Administrator shall not be responsible for any loss or damage which the Fund may sustain or suffer as a result of or in the course of the discharge of its duties under the Administration Agreement other than loss or damage arising by reason of the wilful or

intentional neglect or misconduct or fraudulent behaviour of the Administrator and the Fund will indemnify the Administrator or any company or entity associated with the Administrator or any director, officer, shareholder or employee thereof against, and hold them harmless on a full indemnity basis from, any expense, loss, liability or damage arising out of any claim asserted or threatened to be asserted by any third party in connection with the Administrator's serving or having served as such pursuant to the Administration Agreement; provided however, that the Administrator will not be indemnified with respect to any expense, loss, liability or damage which was caused by its own wilful or intentional neglect or misconduct or fraudulent behaviour. The Administrator is not responsible for valuing the Fund's investments and, in providing services to the Fund, will not act as guarantor or offeror of the Shares in any respect nor is the Administrator responsible for monitoring any investment restrictions or compliance with the investment restrictions and therefore will not be liable for any breach thereof.

The Administrator has no responsibility with respect to trading activities, the Investment Manager, the management or performance of the Fund, or the accuracy or adequacy of this Prospectus.

BOARD OF DIRECTORS OF THE FUND

The Board is responsible for the overall management and control of the Fund in accordance with the Constitution. However, the Directors are not responsible for the day to day operations and administration of the Fund nor are they responsible for making or approving any investment decision, having delegated such investment responsibilities to the Investment Manager pursuant to the Investment Management Agreement and the day to day administrative functions to the Administrator pursuant to the Administration Agreement in accordance with its powers of delegation as set out in the Constitution. The Directors will periodically review the performance of the Investment manager and Administrator. The Investment manager and Administrator will provide such information as may from time to time be reasonably required by the Directors to facilitate such review. The Directors are entitled to indemnification in accordance with the Fund's Constitution. The Board may, as it deems appropriate, appoint Prime Brokers for the Fund from time to time.

The names of the Directors on the Board and their biographies are as follows:

Gautam Vir

BA (Hons), MBA

Mr Vir is the Chief Executive of the State Bank of Mauritius Ltd ("SBM") since May 2009. He has over 32 years of banking experience and has worked in India, Asia Pacific, the Middle East, North America and Europe. Mr Vir has previously worked for Citibank, Bank of America and Standard Chartered, and was Chief Executive of Hebros Bank in Bulgaria. From 2005 to 2009, he served as Managing Director and Chief Executive Officer of the Development Credit Bank Ltd, India, a bank he helped list on the Bombay Stock Exchange in 2006.

Daniel Ng Tseung

BSc Economics

Mr. Ng Tseung has worked for 9 years as Treasurer at HSBC before joining SBM as Group Treasurer in December 2000. He was also overseeing the e-business activities and has been a member of the Board of SBM

Mr. Arvind Jha

BSc, MBA, CAIIB

Mr. Jha has over 25 years experience across Banking Operations spanning International Banking, Investment Banking, Treasury functions, Retail Banking, Corporate Credit Management and Human Resources. He joined SBM in 2010 from AfrAsia Bank Ltd., Mauritius, where he was Head of Global Business and Structured Trade & Chairman of the Product Committee. Prior to that, he has held several senior positions including General Manager, SBI International (Mauritius) Ltd, Senior Vice President (Designate) for State Bank of India (SBI) and Societé Générale Securities Services in Mumbai. He is currently heading the Global Business Division.

Chandradev Appadoo

FCCA, ACIB

Mr. Appadoo has worked for 26 years in the Bank at various levels including branches, Corporate Banking, Finance, Legal, Compliance and Risk Management. He is currently the Company Secretary of SBM and also heading the Finance Division.

CUSTODIAN

Under the Securities and Exchange Board of India (Foreign Institutional Investors), Regulations, 1995 the Fund is required to appoint a domestic custodian in India for maintaining the Indian investments. For this purpose, the Fund has appointed HDFC Bank Ltd to act as the Custodian and has entered into the Custodian Agreement.

In accordance with the terms of the Custodian Agreement, the Custodian shall have the authority to complete and sign any affidavits, certificates of ownership or other certificates relating to the securities and/or cash which may be required by the tax or any other regulatory authority; collect and receive all income and other payments and distributions in respect of the securities and/or cash, and credit the same to the Fund account; to receive and hold for the account of the Fund any capital arising out of or in connection with the securities and/or cash whether as a result of its being called or redeemed or otherwise becoming payable and credit the same to the Fund's account; receive and hold for the account of the Fund all securities received by the Custodian as a result of a stock dividend, share sub-division or reorganization, capitalization of reserves or otherwise; exchange interim or temporary receipts for definitive certificates, and old or over stamped certificates for new certificates; make cash disbursements or payments for any fees, taxes, duties, levies, expenses and/or any payments except for settlement of securities/foreign exchange transactions; undertake any currency conversion at the prevailing rate as reasonably determined by the Custodian where any payment is received or to be made in a different currency and do all such acts as the Custodian may consider to be necessary or desirable for the above or in order to perform its duties under the Custodian Agreement.

The Custodian shall inform the Fund of notices that it receives in respect of any bonus issues, rights issues, payment calls, takeover bids or general meetings of the issuers/companies in relation to the

securities. The Custodian shall also be responsible to review corporate action notice/offer documents, which may contain restriction or exclusion clauses and act upon the same in accordance with the instructions from the Fund.

The Custodian shall not mingle its own assets with the securities held for the Company / Fund and where securities are physically held by the Custodian, such securities shall be physically segregated from the securities of the Custodian or other clients of the Custodian and maintain separate records with respect to securities held for the Company / Fund.

The Fund will indemnify the Custodian and hold it harmless against all charges, costs, damages, losses, claims, liabilities, expenses, fees and disbursements (together with any value added tax or similar tax imposed from time to time), which the Custodian may suffer or incur howsoever in connection with or arising from the Custodian Agreement, except in case of negligence or willful misconduct of the Custodian.

The Custodian Agreement may be terminated by either party by giving prior written notice of not less than 60 days to the other party.

SECTION V: STATED CAPITAL, INITIAL OFFERING AND SUBSCRIPTIONS

Stated Capital of the Fund

The stated capital of the Fund shall comprise of all amounts received by the Fund or due and payable to the Fund in respect of the Management Shares and Participating Shares and includes Class Shares issued by the Fund and the share premiums in relation to those Shares. The stated capital will vary upon the issue and redemption of Shares.

Rights of the Shares

Each Participating Share shall not have voting rights. The Shares of any Class carry a right to dividends (if any) declared by the Fund in respect of that Class. The holder of any Share is not entitled to receive notice of, attend or vote at meetings of Shareholders. In a winding-up, each holder of Shares of a given Class has a right, provided that there are net assets available, to the return of the paid-up par value and a right to share in surplus assets relating to that Class.

Each Management Share shall, subject to this Prospectus and applicable Law, have attached to it the following rights and obligations as set out in the Constitution including without limitation:

- a. Voting rights in any Meeting; and
- b. No dividends shall be payable on the Management Shares, nor are the Management Shares redeemable.

Offer

During the Offer Period, the Fund is offering Shares at a price of US\$ 100 per Share. No part of the initial offer has been underwritten or guaranteed. Upon acceptance by the Fund of the subscription for Shares, the subscriber shall be allotted such number of fully paid up Shares as shall be equal to the subscriber's investment, net of all bank charges, divided by the subscription price per Share.

Subscriptions

The Shares will be offered to Qualified Holders for subscription on a **daily** basis. The subscription price per Share shall be the Net Asset Value per Investor Share as on the Valuation Day immediately preceding the Dealing Day when the Application is accepted. The form for Subscriptions needs to be sent to the Administrator at least 3 (three) days prior to the relevant Dealing Day (or such other dates and/or times as the Board of the Fund may determine). Cleared funds in respect of the subscription monies relating to the Subscription must be received in full, in the Fund's bank account at least 1 (one) Business Day prior to the relevant Dealing Day. All applications for Subscriptions should be received in accordance with the form provided in the Subscription Form entered into by the Shareholder with the Fund.

Applicants for the Shares during the Initial Offer Period should complete the Subscription Form and send it along with the relevant KYC documents to the Administrator first by e-mail or fax with the original to follow thereafter. These documents should reach the Administrator no later than 5.00 p.m. on the last day of the Offer Period. Subscribers should be aware of the risks associated by sending documentation in this manner and that the Administrator will not be responsible in the event of non-receipt of any

documents sent by email or facsimile. Cleared funds in respect of the subscription monies must be received in full, in the Fund's bank account at least 1 (one) Business Day prior to the relevant Dealing Day, failing either of which the application will, subject to the discretion of the Board of the Fund, be held over to the following Dealing Day and the Shares will then be issued at the Subscription Price on that Dealing Day.

Fractions of Shares will be truncated downwards to nearest whole number. The Fund reserves the right to reject any application in whole or part at its absolute discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable at the risk and cost of the applicant.

The Administrator will issue a written confirmation to successful applicants confirming acceptance of their application. Once completed applications have been received by the Administrator, they become irrevocable.

Applications for Shares will not be dealt with and Shares will not be issued until receipt of notification that an applicant's funds have been cleared in the full amount of the subscription. Subject thereto, Shares are deemed to be issued on the relevant Dealing Day.

Minimum Investment

The minimum initial investment in Shares from Qualified Holder is US\$ 100,000 for Class A Participating Shares and US\$ 100 for Class B Participating Shares or such lesser amount as the Board of the Fund may in any particular case determine provided that this does not breach the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008, issued under the Securities Act 2005 of Mauritius, without, however, being in no circumstances whatsoever be less than US\$ 50,000 for Class A Participating Shares and US\$ 100 for Class B Participating Shares. These requirements will not apply to direct subscriptions by the Investment Manager. Existing Shareholders may also subscribe for additional Shares and the minimum subsequent investment amount is US\$ 50,000 for Class A Participating Shares and US\$ 100 for Class B Participating Shares. or such lesser amount as the Board of the Fund may determine from time to time.

Entry Load

The Fund shall not impose any entry load for Class A Participating Shares. The Fund shall have the right to impose an entry load of up to 3% on the Class B Participating Shares.

Notwithstanding anything written hereinabove, the Fund shall have the right to determine the extent of entry load to be imposed on each Class Share that seeks to subscribe in the Participating Shares.

Exit Load

The Fund shall not impose any exit load for Class A Participating Shares. The Fund shall have the right to impose an exit load of up to 1% on Class B Participating Shares, if these Shares are redeemed on or before 1 year from date of investment. The exit load will be retained by the Investment Manager to meet any administrative costs in relation to redemption of shares and such cognate expenses.

Notwithstanding anything written hereinabove, the Fund shall have the right to determine the extent of exit load to be imposed on each Class Share that seeks to subscribe in the Participating Shares.

Ineligible Applicants

The Subscription Form requires each prospective applicant for the Shares to represent and warrant to the Fund that, among other things, he/she is able to acquire and hold the Shares without violating applicable laws.

The Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Board of the Fund or the Investment Manager, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund or the Investment Manager being required to register under any applicable US securities laws.

Eligible Investors

Investment in the Shares is limited to Qualified Holders as provided earlier in this Prospectus and as per the terms of the Subscription Form, each applicant for, and transferee of, the Shares must warrant on the relevant Subscription Form that he is a Qualified Holder and that he (i) has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Fund, (ii) is aware of the risks inherent in investing in the assets in which the Fund will invest and the method by which these assets will be held and/or traded, and (iii) can bear the loss of his entire investment in the Fund.

Form of Shares

All the Shares will be in inscribed/registered form. Entry in the Register of Shareholders is prima facie evidence of the title to those shares.

Anti-Money Laundering

To ensure compliance with the Financial Intelligence and Anti-Money Laundering Act 2002, as amended, and the Code on the Prevention of Money Laundering and Terrorist Financing ("Code") issued by the FSC, the Administrator will require an applicant for Participating Shares to provide certain information and documents for the purpose of verifying the identity of the applicant, the source of funds and obtain confirmation that the application monies do not represent directly or indirectly, the proceeds of any crime. The request for information may be reduced where an applicant is a regulated financial services business based in Mauritius or in an equivalent jurisdiction (i.e. subject to the supervision of a public authority) or in the case of public companies listed on recognized stock exchanges, as set out in the Code.

The Administrator may, at any time, request such additional information as may be required to comply with the Fund's reporting obligations in Mauritius and abroad.

Measures aimed at the prevention of money laundering and financing of terrorism require an applicant for the Shares to verify his identity and the source of funds as part of customer due diligence to the Administrator. These measures are applied in accordance with FSC's Codes and anti money laundering legislations applicable in Mauritius.

By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his country of residence, together with two documents verifying his residential address such as a utility bill or bank statement. In the case of corporate applicants this may require production of a certified copy of the

Certificate of Incorporation (and any change of name), Memorandum and Articles of Association (or equivalent), and register of members/directors which shows the names and residential/business addresses of all directors and beneficial owners respectively. In addition, corporate applicants will be requested to provide a Board Resolution confirming investment in the Fund and the name of the persons authorized to operate this investment.

The details given above are by way of example only and the Administrator will request such information and documentation as it considers is necessary to verify the identity or source of funds of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and the subscription monies relating thereto or may refuse to process a redemption request until proper information has been provided. As a general rule, the Administrator will only pay redemption proceeds to the account, held on the name of the Investor, from which the subscription monies were remitted. Each applicant for the Shares acknowledges that the Administrator shall be held harmless against any loss arising as a result of a failure to process his application for the Shares if such information and documentation, as has been requested by the Administrator, has not been provided by the applicant.

Each applicant for the Shares will be required to make such representations as may be required by the Board of the Fund or the Investment Manager in connection with its anti-money laundering program.

Publication of Net Asset Value

The Net Asset Value per Participating Share of each Class will be available at the registered office of the Fund and shall be disclosed to the FSC on a quarterly basis. The Net Asset Value is also available at the offices of the Administrator and/or the website of the Investment Manager. The Fund does not accept any responsibility for any error or delay in publication or for non-publication of prices.

SECTION VI: REDEMPTIONS

The Shares may be redeemed after the completion of the Initial Offering Period, on each Dealing Day at the request of a Shareholder, upon delivery of a prior written notice to the Fund at least 3 (three) calendar days in advance of the Dealing Day. The redemptions on each Dealing Day will be at the Net Asset Value per Share prevailing on that Dealing Day, i.e. calculated on the close of Business Day unless the Board of the Fund consents, no partial redemption of a Shareholder's Shares will be permitted if the value of the Shareholder's outstanding Shares after such redemption is implemented will be less than US\$ 50,000 for Class A Participating Shares and US\$ 100 for Class B Participating Shares.. An exit load of 1% will apply for Class B Participating Shares if the Shares are redeemed during the first year of investment.

In the event that the Shareholders of Shares, in the aggregate, request withdrawals of 25% or more of the aggregate balances of the Shares as of any Redemption Date, the Board of the Fund may, in its discretion, reduce the actual amounts redeemed to an amount equal to 10% of the aggregate Shares ("Gate") and satisfy the requested redemptions on a pro rata basis, based on the respective amounts of requested redemptions by each redeeming Shareholder. Redemption requests that are deferred due to such limitation may be revoked by the redeeming Shareholder, and if not revoked, will be given priority at subsequent Redemption Dates. In the interim, all such Shares shall remain subject to the performance of the Fund. The Board of the Fund at its sole discretion may waive the Gate provisions.

Redemption requests may be submitted by fax to the Administrator at the fax number +230 2107139 provided that:

- (1) the original signed redemption request is received by the Administrator prior to the relevant Dealing Day; and
- (2) the Investor receives written confirmation from the Administrator that the faxed redemption request has been received.

A request for a partial redemption of Shares may be refused, or the holding redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares would be less than the Minimum Holding.

A redemption request, once given, is irrevocable unless the Board of the Fund or the Investment Manager determine otherwise.

Redemption Price

The Redemption Price per Share on each Dealing Day will be at the Net Asset Value per Share prevailing on that Dealing Day, i.e. calculated on the close of business of the Valuation Day preceding that Dealing Day. An exit load of up to 1% of redemption proceeds will be payable on Class B shares redeemed within 12 months of the date on which they are issued. No exit loads will be paid on Class B Participating shares thereafter. The redemption proceeds will be reduced by the amount of the exit load and the net amount paid to the Redeeming Shareholder. The directors may waive the payment of an exit load at their discretion generally or in any particular case. The exit load will be retained by the Investment Manager to meet administrative costs in relation to any redemption of shares and such cognate expenses.

Payments

Unless the Directors, agree otherwise, the Fund will only pay redemption proceeds to the account in the name of the Shareholder from which subscription proceeds originated. No third party payments will be made.

A Shareholder who makes a full or partial request for redemption of Shares shall be paid the Redemption Price within the 10 (ten) Business Days of the applicable Dealing Day, or after receipt of the completed original redemption documentation, whichever is later.

Payment of redemption proceeds may be withheld or delayed if information required to satisfy verification of identity is not provided in a timely manner.

Limitation on Redemptions

The Fund may suspend, or postpone the payment on Shares (i) during the existence of any state of affairs which, in the opinion of the Board of the Fund, makes the disposition of the Fund's investments attributable to such Shares impractical or prejudicial to the Shareholders of the relevant Class, or where such state of affairs, in the opinion of the Board of the Fund, makes the determination of the price or value of the Fund's investments impractical or prejudicial to the Shareholders of such Class; (ii) where any withdrawals or distributions attributable to such Class, in the opinion of the Board of the Fund, would result in the violation of any applicable law or regulation; or (iii) for such other reasons or for such other periods as the Board of the Fund may in good faith determine. The Board of the Fund may further suspend redemptions if the Board of the Fund deems it necessary to do so to comply with anti-money laundering laws and regulations or any other legal requirements applicable to the Fund, the Investment Manager, any other service provider to the Fund and/or any affiliates of any of them.

Compulsory Redemptions

The Board of the Fund may, in its sole discretion, for any reason or no reason, including failing to continue to meet the requirements of Section 3(c)(7) of the U.S. Investment Company Act or for purposes of limiting the participation in the Fund of "benefit plan investors" as defined in ERISA, at any time, compulsorily redeem or require a Shareholder to redeem all or any portion of its Shares upon not less than 7 (seven) Days prior written notice.

The Fund also reserves the right to require compulsory redemption of all Shares held by a holder of Shares if the Net Asset Value of the Shares held by the holder of Shares is less than the Minimum Holding and in certain other circumstances as described in the Constitution. Where the Net Asset Value of the Shares held by a holder of Shares is less than the Minimum Holding and the Fund decides to exercise its right to compulsorily redeem, the Fund will notify the Shareholder in writing and allow such holder of Shares, 15 (fifteen) days to purchase additional Shares to meet the minimum requirement. If, following the Investor's investment in the Fund, the Investor becomes a resident of India or applies for or otherwise acquires Indian nationality, the Fund may require such Investor to transfer or compulsorily redeem the whole of its holding of Shares.

Reserves

The Fund may establish such reserves as it deems reasonably necessary for Fund expenses and any other contingent Fund liabilities, which could reduce the amount of a distribution upon redemption.

Other Redemption Provisions

If the Board of the Fund in its discretion permits a Shareholder to redeem Shares other than on a regularly scheduled Redemption Date, the Board of the Fund may impose an additional administrative

fee to cover the legal, accounting, administrative, brokerage, and any other costs and expenses associated with such withdrawal.

The Investment Manager believes (but cannot guarantee) that the assets of Shares will be invested in a manner that would allow the Fund to satisfy redemption requests. The Fund has the right to pay cash or in-kind, or a combination of both, to Shareholder that makes a redemption.

SECTION VII: DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Fund and the Net Asset Value per Share will be determined DAILY by the Administrator under the overall supervision and direction of the Directors, and will be communicated to the Investment Manager as at the close of business on each Valuation Day or at such other times as the Board of the Fund after consulting the Administrator may determine.

On any Valuation Day, the value of investments of the Shares will be computed as set forth in the Constitution and Prospectus. The Board may, at their discretion, permit any other method of valuation if they consider that such method better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

The Net Asset Value for the Shares and Net Asset Value per Share will be calculated by the Administrator in the manner described below at each Valuation Day.

The Net Asset Value for each Class as at the relevant Valuation Day shall be the value of all the assets of the Class less the liabilities of that Class, calculated in accordance with the Constitution.

The Net Asset Value per Participating Share of a Class as at any Valuation Day shall be the Net Asset Value at the applicable Valuation Point divided by the total number of Shares of that Class in issue immediately before that Valuation Point and rounding the resultant amount downwards to the nearest four decimal places. The Net Asset Value and Net Asset Value per Participating Share will include both realised and unrealised gains and losses in securities and other assets of the Shares.

The Net Asset Value of a class of the Company shall be valued as follows:

- a) valuations shall be prepared in US Dollars.
- b) for the purpose of valuing the assets of the Company as aforesaid the Directors may rely upon the opinions of any persons who appear to them to be competent to value assets of any class or classes by reason of any appropriate professional qualification or of experience of any relevant market.
- c) securities quoted or traded on any stock exchange or other regulated market are to be valued at (i) the last available closing price at the valuation Point or, if none, (ii) the middle of the bid and offer price at the valuation Point, or if none, (iii) the last traded price, subject in each case to such discount (if any) as the Directors may consider appropriate if marketability is limited by the size of the holding relative to trading volume or otherwise. Each such price shall be the applicable price on the stock exchange on which the relevant share or other quoted investment is traded or, if the relevant share or other listed investment or, if the relevant share or other investment is traded on more than one stock exchange, on the stock exchange which the Directors consider to be the principal market for trading in that share or other investment;
- d) unlisted securities (other than equities) for which there is an ascertainable market value are to be valued generally at the last known price dealt on the market on which the securities are traded on or before the day preceding the relevant Dealing Day;
- e) unlisted securities (other than equities) for which there is no ascertainable market value will be

valued at cost plus interest (if any) accrued from purchase to (but excluding) the relevant Dealing Day plus or minus the premium or discount (if any) from par value written off over the life of the security;

- f) any value otherwise than in US Dollars shall be converted into US dollars at the market rate (whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard inter alia to any premium or discount which they consider may be relevant and to the costs of exchange;
- g) the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest accrued and not yet received up to the date on which the Net Assets Value is being determined, shall be deemed to be the full amount thereof, unless it is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such deduction or discount as the Directors may consider appropriate to reflect the true value thereof;
- h) the value of units or other security in any unit trust, mutual fund, investment corporation, or other similar investment vehicle or collective investment scheme shall be derived from the last prices published by the managers thereof on or before the day preceding the relevant Dealing Day;
- i) all derivatives that are primarily traded on over-the-counter market quotations will be valued at bid prices in the case of long positions and ask prices in the case of short positions, or prices that are indicative of fair values as determined by the Directors if such bid and ask prices are not available or deemed inappropriate.
- j) liabilities shall be deemed to include such provisions and allowances for contingencies as the Directors may consider appropriate for the purpose of determining the Net Asset Value, back-to-back arrangements involving the deposit of one currency against the advance of another will not be treated as borrowings).
- k) if the relevant Valuation Point is a day on which the market for any investments or assets of the Company to be valued is closed for business, then such assets or investments shall be valued as at the immediately preceding day on which the relevant market was open for business.
- l) the method of Valuation adopted by the Custodian will be consistent with a "year on year" basis unless changed by the Board of Directors at their absolute discretion.
- m) notwithstanding the foregoing, the Directors may, in their absolute discretion, permit some other method of valuation to be used if they consider that such valuation better reflects the fair value;

The Class liabilities comprise of the following:

- a) All borrowings, bill of exchange and other amounts due, including security deposits such as margin accounts in connection with the use of derivative instruments;
- b) All administrative expenses payable or incurred, including establishment and registration cost payable to registration agents; legal fees; audit fees; fees payable to the Investment Manager, the Custodian and all other representatives and agents of the Fund; and the costs of compulsory publications and the prospectus, accounts and other documents made available to Shareholders;

- c) All known liabilities, whether due or not yet due, including dividends declared but not yet paid;
- d) An appropriate provision for taxation calculated on the Valuation Day, and other provisions or reserves approved by the Board; and
- e) All other liabilities of any kind to third parties.

For the purpose of valuing its liabilities, the Fund may include all regular or periodic administrative and other expenses by valuing this for the whole year or any other period and allocating the result pro rata for the expired period.

The Board will show an asset for the Fund in the following manner:

- a) The proceeds of allocating and issuing particular Participating Shares in the Fund will be allocated in the Fund's books to the asset to which the class of Participating Shares of the Fund relates, and the corresponding assets, liabilities, income and expenditure will be allocated to this asset in accordance with the above guidelines.
- b) If any asset has been derived from another asset, the derived assets will be allocated in the Fund books to the same asset as that from which they derive, and for each new valuation of an asset the growth or fall in value will also be allocated to the asset concerned.
- c) If the Fund has incurred a liability which relates to a specific asset, or to an activity connected with a specific asset, the liability will be allocated to that asset.
- d) If an asset or a liability of the Fund cannot be regarded as a specific amount which can be allocated to a specific asset, and does not relate to all Classes of shares equally, the Board may allocate the asset or liability as they see fit.

The Board of Fund or the Investment Manager may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice. The Board of the Fund or the Investment Manager has delegated to the Administrator the determination of Net Asset Value per Share.

The Net Asset Value per Investor Share on any Valuation Day will be calculated by dividing the Net Asset Value of the relevant Class by the number of Shares of the relevant Class in issue as at the close of business on that Valuation Day

Suspension

The Fund's Constitution provides that the Directors, acting unanimously, may declare a temporary suspension of the determination of the Net Asset Value of a Class or Classes and the sale, allotment issue or redemption of the Participating Shares in the events set out under Article 20 of the Constitution.

SECTION VIII: FEES AND EXPENSES

Total Expense Ratio

For Class A Participating Shares, the total expense ratio including the management fee will not exceed 1% per annum of the Net Asset Value of the Outstanding Class Shares or such rates as to be determined by the Board of Directors from time to time.

For Class B Participating Shares, the total expense ratio including the management fee will not exceed 1.6% per annum on the Net Asset Value of the Outstanding Class Shares or such rates as to be determined by the Board of Directors from time to time.

The Management Fee is payable monthly in arrears.

Administrator and Registrar of the Fund

For performing and supervising the performance of administrative services necessary for the operation and administration of the Fund and for acting as Registrar, the Administrator will receive its customary monthly fee for each Class. This fee has been set at 0.15% per annum and will be paid monthly in arrears.

The Administrator will also be reimbursed for all reasonable out-of-pocket expenses agreed to in advance with the Fund.

Custodian of the Fund

The Custodian will receive from the Fund a fee in accordance with the Custodian Agreement entered into between the Fund and the Custodian and as agreed between the Fund and the Custodian from time to time.

The current fees are categorized as follows:

1. Transactions Fees: 0.01% on the value of the transaction up to an amount of INR 1,000 per transaction
2. Custody Fees: 0.02% per annum on the value of securities held under custody on behalf of the Fund.

As per the Custodian Agreement, the Fund shall also pay or reimburse the Custodian out of pocket expenses (including but not limited to Stamp Duty, Regulatory charges, any expenses on clients instructions) and depository charges.

Investment Advisor's Fee

The Investment Manager is responsible for the payment of the fees of any Investment Advisor as provided under any Investment Advisory Agreement.

Other Fees and Expenses

Organisational Expenses: The Fund will pay all expenses reasonably incurred in the formation and organisation of and offer and sale of interests in, the Fund, including external legal and administration

and regulatory expenses, other professional fees and expenses, printing costs (including costs of preparing and printing this Prospectus, as well as any necessary updates), expenses (including travel costs, expenses in connection with set up, etc.). The Fund's financial statements shall be prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS does not permit the amortisation of organisational costs. For the purposes of Net Asset Value calculation, organizational costs may be amortised over 1 year or written off over such period as the Board of the Fund may determine from time to time and which the Directors believe provide a more equitable treatment to Shareholders. A note reconciling the Net Asset Value calculation at the year end shall be included in the statutory financial statements of the Fund. The Fund will reimburse the Investment Manager for Organisational Expenses incurred on behalf of the Fund up to a limit of US Dollars 75,000.

Operating Expenses: The Fund shall pay or reimburse the Investment Manager and its affiliates for (i) all expenses incurred in connection with the ongoing Offering of Shares, including, but not limited to, printing of the Prospectus and exhibits and documentation of performance and the issuance of additional Shares, and (ii) all operating expenses of the Fund such as auditors fees, tax preparation fees, governmental fees and taxes, administrator fees, director fees and expenses, costs of communications with Shareholders, and ongoing legal, accounting, auditing, bookkeeping, consulting and the insurance premium expenses for the professional indemnity insurance which the Fund/Investment Manager would incur and other professional fees and expenses.

All Operating Expenses listed above will be charged on actual to the Fund or reimbursed to the Investment Manager on actual. The reimbursement to the Investment Manager will be on monthly basis, unless otherwise determined by the Investment Manager. The Investment Manager at its sole discretion has the right to waive off any of the expenses.

Other Operating Expenses: The Fund shall pay or reimburse all expenses related to the trading / operations of the fund (e.g. brokerage commissions, margin interest, expenses related to short sales, custodial fees and clearing and settlement charges, fees payable to the FII under the Agreement, administrator charges, legal fees, India tax consultant fees etc).

All fees and other expenses incurred in connection with the investigation, prosecution or defence of any claims, assertion of rights or pursuit of remedies, by or against the Fund" including, without limitation, professional and other advisory and consulting expenses and travel expenses, and whether or not pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer will be borne by the Fund

The Fund will pay the necessary fees to the FII as agreed under the Sub Account Agreement entered into by and between the Fund and the FII Licensee.

The Investment Manager or any of its affiliates, in its sole discretion, may from time to time pay for any of the foregoing Fund expenses. Any such person may elect to be reimbursed for such expenses, or to waive its right to reimbursement for any such expenses, as well as terminate any such voluntary payment or waiver of reimbursement.

Investment Manager Expenses: The Investment Manager will pay its own general operating and overhead expenses associated with providing the services required under the Investment Management Agreement. These expenses include all expenses incurred by the Investment Manager in providing for its normal operating overhead, including, but not limited to, the cost of providing relevant support and administrative services (e.g., employee compensation and benefits, rent, office equipment, insurance, utilities, telephone, secretarial, clerical and bookkeeping services, etc.), but not including any Fund operating expenses described above.

SECTION IX: REPORTS AND FINANCIAL STATEMENTS

The Fund's fiscal year end is the 30th of June. The first accounting period shall end on the 30th of June 2012

The annual meeting of the shareholders of the Fund shall be held every year at the registered office of the Fund or at any other place in Mauritius as may be specified by the notice of the meeting. However it is to be noted that Participating Shares have no right to receive notice of any meeting and no voting rights except in case of a modification or variation of Class rights.

Special meetings of Shareholders shall be in accordance with the Constitution of the Fund at such time and place in Mauritius as may be specified by the notice of the meeting.

Notice of any meeting of Shareholders shall be mailed by registered letter to each registered Shareholder entitled to receive notice of the Meeting, at least 14 (fourteen) Business Days prior to the meeting or sent by electronic means and would be taken to have been received by the Shareholder on the date that it is transmitted.

Shareholders will be sent a copy of the Fund's annual report and audited financial statements, prepared in accordance with IFRS, within 90 days of the end of the period to which they relate and not less than 14 days before the annual meeting.

Liquidation

If the Fund should become insolvent, the Investors in the Fund may be required to repay any distributions wrongfully made to them and forfeit any undistributed profits.

Limited Rights of Shareholders

Shareholders holding Shares have no right to participate in the management or control of the Fund. As a result, the Shareholders must rely entirely on the Investment Manager and the Board to manage the Fund and its investments.

Limitation on Redemptions

At the time of each redemption of any Participating Shares, the Fund as a whole would have to meet the Solvency Test. In the event that the Fund does not meet the Solvency Test, then the payment of redemption proceeds on redemption of Shares would not be possible. The Fund will satisfy the Solvency Test under the Act where the Fund is able to pay its debts as they become due in the normal course of business and the value of its assets is greater than the value of its liabilities.

SECTION X: DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of the Prospectus, Constitution and material agreements are available for inspection at the registered office of the Fund during business hours situated at 4th Floor, Raffles Tower, Cybercity, Ebène, Mauritius.

SECTION XI: TAX CONSIDERATIONS AND LEGAL AND REGULATORY CONSIDERATIONS

TAX CONSIDERATIONS

The following tax summary is of a general nature only, is based on current law and practice and is therefore subject to changes therein, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers of Shares should consult their own tax advisers as to the potential tax consequences of the acquisition, holding or disposition of the Shares under the laws of the countries of their citizenship, residence or domicile.

In view of the number of different jurisdictions where local laws may apply to Shareholders, except as specifically set forth herein, this Prospectus does not discuss the tax consequences to a potential investor under the laws of the jurisdictions of which they are citizens, residents or domiciliaries and in which they conduct business. Prospective Investors are urged to consult their own professional advisers regarding the possible tax consequences of buying, holding, selling or redeeming the Shares.

The Fund will provide regular financial information, including annual audited financial statements to its shareholders in compliance with the legal and regulatory requirements applicable to the Fund, but, except as specifically described below, will not be responsible for providing (or for the costs of providing) any other information which Shareholders may, by virtue of the size of their holdings or otherwise, be required to obtain or provide to the taxing or other authorities of any jurisdiction.

In addition, investments in international markets may involve the possible imposition of withholding or other taxes on income received from, or gains with respect to, such investments.

MAURITIUS TAX ISSUES

Tax Residence Certificate (“TRC”)

A company holding a Global Business Licence Category 1 under the FSA (“GBL1 Company”) is required to hold a TRC from the Mauritius Revenue Authority (“MRA”) (renewable every year) to enable itself to have its place of “central management and control” in Mauritius. The Fund is a GBL 1 Company. The domestic law provides that a company is a tax resident in Mauritius if it is either incorporated in Mauritius or if its central management control is located in Mauritius. The Fund shall apply for and is expected to obtain a **TRC** from the **MRA**. Such certification would be determinative of its resident status for purpose of the India-Mauritius Tax Treaty. The TRC will be sufficient proof of the Fund residence in Mauritius for tax treaty purposes subject to the place of effective management of the Fund being in Mauritius at all material times.

Taxation of the Fund

Under the provisions of the Mauritius Income Tax Act 1995, a GBL1 Company is taxed at the tax incentive rate of 15 % on its net income. However, pursuant to the Income Tax Act (Foreign Tax Credit) Regulations 1996 as amended, the Fund will be entitled to a foreign tax credit equivalent to the actual foreign tax suffered if it has actually paid foreign tax elsewhere and therefore pays tax at the rate of 0% or presumed to have paid tax on its foreign income and therefore be eligible to a foreign tax credit of 80% of the Mauritian tax on its foreign source income and pays tax at an effective rate of 3%.

In conclusion based on the above the Fund may be taxed either at 0% or at 3%. Accordingly, the Mauritian Companies will be subject to tax in Mauritius at an effective rate of 3% in respect of any dividends or interest earned from direct investments of shares or debt. The residual tax in Mauritius could be reduced to less than 3% by claiming foreign credit in respect of dividend distribution tax and corporate income tax paid and spared by the companies in the other contracting state, where the Mauritian Companies hold at least 5% of the respective companies in the other contracting state. Shareholders of the Fund residing outside of Mauritius will not be subject to Mauritius tax on dividends distributions received from the Fund or on capital gains realised on the sale of the Shares.

Taxation of Dividend

Under the Mauritius fiscal regime, there are no withholding taxes on dividends distributed by a Mauritian company to its non-resident and resident shareholders. Dividends on shares received from an Indian company on which dividend distribution tax has been paid are exempt from tax in the hands of the shareholders.

Capital Gain Tax

There is no capital gain tax in Mauritius. Any gains realized by a non-resident or resident shareholder on disposition of its shares in a company are not liable to tax in Mauritius.

Estate Duty and Inheritance Tax

There is no estate duties or inheritance taxes in Mauritius.

Double Tax Treaties

Mauritius has concluded various treaties for the avoidance of double taxation. To be eligible to a tax treaty benefit, the Fund must have its central management and control/ place of effective management at all time in Mauritius.

INDIAN TAX ISSUES

One such DTAA exists between Mauritius and India.

Should the Fund be deemed to be resident in Mauritius for Indian Tax purposes, the taxation of the Fund in India shall be governed by the provisions of the Indian Income Tax Act, 1961 (the "ITA"), read with the provisions of the India-Mauritius Tax Treaty. As per Section 90(2) of the ITA, the provisions of the ITA would apply to the extent they are more beneficial than the provisions of the India-Mauritius Tax Treaty.

In order for the India-Mauritius Tax Treaty provisions to apply, the Fund must be a Mauritius tax resident pursuant to its place of effective management being in Mauritius at all material time, meaning that its central management and control should be carried out by its boards of directors in Mauritius as evidenced by the tax residency certificate ("TRC"). The Fund is expected to renew and receive annually a TRC from the MRA, which should qualify it to be tax resident of Mauritius and hence should entitle it to the India-Mauritius Tax Treaty's benefits. In light of Circular No. 789 dated April 13, 2000, issued by the Central Board of Direct Taxes, the Fund would be eligible for the benefits under the India-Mauritius Tax Treaty if it is incorporated in Mauritius, has been issued a TRC by the MRA and is centrally managed and controlled in Mauritius on a continual basis (that it is having its place of effective management in Mauritius for purposes of the India-Mauritius Tax Treaty). Thus, the Fund will seek a

TRC and, if successful in obtaining such certificate, will be treated as a Mauritius tax resident, provided that the undertakings given to the MRA are strictly adhered to continuously. Recently, the Supreme Court of India has upheld the validity of Circular 789 and accordingly, the Fund should be eligible for the benefits under the India-Mauritius Tax Treaty if its place of effective management is in Mauritius.

The Fund is expected to derive profits in the form of capital gains, dividends and interest on account of the investments made by the Fund in Indian portfolio companies. The taxation of such income in the hands of the Fund under the provisions of the India-Mauritius Tax Treaty is currently as follows:

Capital Gains

According to the provisions of the India-Mauritius Tax Treaty, all capital gains realised by the Fund, whether long-term or short-term, will not be subject to tax in India, provided the Fund does not have a permanent establishment in India. As the Fund holds or is expected to hold a tax residency certificate from the MRA, all the capital gains realised by the Fund should be subject to tax only in Mauritius.

If the benefits of the India-Mauritius Tax Treaty are denied or if the Fund is held to have a permanent establishment in India, gains derived by the Fund due to the sale of securities of the Indian Portfolio Companies, may be subject to taxation in India as follows:

- Long-term capital gains (being gains on sale of shares held for a period of more than twelve months) arising on transfer of listed equity shares (including units of an equity oriented mutual fund) executed on a recognised stock exchange in India will be exempt from tax in India;
- Short-term capital gains (being gains on sale of shares held for a period of twelve months or less) arising on transfer of listed equity shares (including units of mutual fund) executed on a recognised stock exchange in India will be taxed at the rate of 15% in India (excluding currently applicable surcharge of 2% on tax payable if taxable income exceeds Rs 10 Million and education cess and secondary higher education cess aggregating to 3% on tax payable and surcharge thereon);
- Long-term capital gains from sale of other Indian listed securities would be taxed at the rate of 10% in India and unlisted Indian securities would be taxed at the rate of 20% in India (excluding currently applicable surcharge of 2% on tax payable, if taxable income exceeds Rs 10 Million, and education cess and secondary higher education cess aggregating to 3% on tax payable and surcharge thereon);
- Short-term capital gains from sale of other Indian securities would be taxed at the rate of 30% (excluding currently applicable surcharge of 2% on tax payable, if taxable income exceeds Rs 10 Million, and education cess and secondary higher education cess aggregating to 3% on tax payable and surcharge thereon);
- All transactions entered on a recognised stock exchange in India will be subject to securities transaction tax (“STT”) levied on the transaction value at the applicable rates.
- STT is levied on the transaction value at the applicable rates. In case of purchase/sale of equity shares and units of an equity oriented mutual fund is settled by way of actual delivery or transfer of the equity share/ unit STT will be levied at the rate of 0.125% on both the buyer and seller of the

equity share/ unit. For sale of equity shares and units of an equity oriented mutual fund settled otherwise than by way of actual delivery or transfer of the equity share/ unit, STT will be levied at the rate of 0.025 % on the seller of the equity share/unit. Derivatives sales would be subject to an STT of 0.017 % while sales of equity-oriented mutual fund units attract STT at the rate of 0.25 % on the seller. However, the STT can be set off against business income tax calculated as per the provisions of the ITA, provided the gains on the transactions are characterised as business income and not as capital gains.

- In the event gains on sale of Indian securities are held to be business income, then, in the absence of a “business connection” or a “permanent establishment “ in India such business income of the Fund would not be subject to tax in India. However, in the event that the Fund is held to have a “business connection” or a “permanent establishment” in India then such business income could be taxed in India at the rate of 40% on net basis plus surcharge at 2% (if taxable income exceeds Rs 10 Million) plus education cess and secondary higher education cess aggregating to 3% (on tax payable and surcharge thereon) but only to the extent such income is attributable to the activities of its business connection or permanent establishment in India. STT paid on such transactions can be reduced from the income as a claimable expense.

Dividends

Dividends are currently exempt from tax in the hands of all shareholders, irrespective of their residency status. Accordingly, the dividends earned by the Fund would be exempt from tax in India. However, the Indian Companies declaring, distributing or paying dividends are required to pay a Dividend Distribution Tax (“DDT”) of 16.2225% (including currently applicable surcharge of 5% on tax payable and education cess and secondary higher education cess aggregating to 3% on tax payable and surcharge thereon).

Interest

Any interest that accrues to the Fund shall be subject to tax at (i) the rate of 10% plus surcharge at 2% (if taxable income exceeds Rs 10 Million) plus education cess and secondary higher education cess aggregating to 3% (on tax payable and surcharge thereon) in respect of interest on Foreign Currency Convertible Bonds issued (ii) at the rate of 20% plus surcharge at 2% (if taxable income exceeds Rs 10 Million) plus education cess and secondary higher education cess aggregating to 3% (on tax payable and surcharge thereon) in respect of loans made in foreign currency but not under the FCCB route and (iii) at the rate of 40% plus surcharge at 2% plus education cess (if taxable income exceeds Rs 10 Million) and secondary higher education cess aggregating to 3% (on tax payable and surcharge thereon) in respect of loans made in Indian currency. Indian tax on interest income will be collected by the payer of such interest income as withholding tax.

Shareholders

The Shareholder will not be subject to taxation in India unless such Shareholder is a resident of India or, if a non-resident, has an Indian source income or income received (whether accrued or otherwise) in India. Further, the taxability of income in India earned by the Shareholders from the Fund shall also

depend on the tax treaty that the country where the Shareholder is a tax resident has entered into with India.

Minimum Alternative Tax (MAT)

In the event the benefits of the India-Mauritius Tax Treaty are not available to the Fund and the Fund is held to have a permanent establishment (“PE”) in India, then the Fund may be subject to MAT. As per the ITA, if the tax payable by any company (including a foreign company) is less than 18% of its book profits, it will be required to pay MAT which will be deemed to be 19.467% of such book profits. Long term capital gains on the sale of listed securities are included in the definition of “book profits” for the purposes of calculating MAT.

LEGAL CONSIDERATIONS RELATING TO INVESTMENTS IN SECURITIES IN INDIA

FII sub-account registration

The Fund is registered with the Securities Exchange Board of India (“SEBI”) as a broad based sub-account of FII under its FII licence. This will enable the Fund to conduct portfolio investments in Indian securities.

The activities of a FII or a FII sub-account in India are primarily governed by the Securities and Exchange Board of India (Foreign Institutional Shareholders) Regulations, 1995, as amended from time to time (the “**FII Regulations**”) and the Transfer or Issue of Security by a Person Resident outside India Regulations, 2000, as amended from time to time (the “**FEMA Regulations**”) issued by the SEBI.

FII has been defined in the FII Regulations to mean an institution established or incorporated outside India which proposes to make investments in India in securities. A sub-account has been defined in the FII Regulations to include foreign corporate or foreign individuals and those institutions, established or incorporated outside India and those funds, or portfolios, established outside India, whether incorporated or not, on whose behalf investments are proposed to be made in India by a FII.

A fund is regarded as broad based if it has a minimum of 20 Investors with no single Investor holding more than 49 per cent of the shares or units of the fund. The requirement to have a minimum of 20 Investors is relaxed in cases where the Investors in the Fund are themselves broad based. There is no guarantee that the Fund will meet all conditions required to qualify as a broad based fund under the SEBI FII Regulations and will continue to comply with these conditions and this could jeopardise the Fund’s sub-account registration and impair its ability to invest in Indian listed securities.

Presently FII registrations are granted for indefinite period. The sub-account registrations are co-terminus with the registration of the applicable FII. Renewal of FII and sub-account licences is required so long as the FII and/or its sub-account continue to invest in Indian securities under the FII regulations.

Below is a brief overview of the legal considerations relating to debt and equity investments in India.

Foreign Investment Policy and Exchange Control Regulations

Foreign investments in Indian companies are governed by the Government of India’s policy on foreign investment (the “**FDI Policy**”), and by Indian exchange control regulations as set out under the Foreign

Exchange Management Act, 1999, (the “**FEMA**”), as amended from time to time and the regulations and notifications made thereunder.

FEMA provides two separate investment windows through which a foreign Investor is permitted to invest in Indian securities: (1) the Foreign Direct Investment (“**FDI**”) Scheme, and (2) the Portfolio Investment Scheme (“**PIS**”).

The FDI Scheme is open to all categories of foreign investors; while the PIS is open only to SEBI registered FIIs and their sub-accounts as well as non-resident Indians. Investments made through the FDI Scheme are governed by the FDI Policy of the Government of India and are monitored by the Reserve Bank of India (“**RBI**”) on an on-going basis. SEBI registered FIIs and their sub-accounts may invest under the PIS, and such FIIs and their sub-accounts can conduct portfolio investments in Indian securities in accordance with the FII Regulations. The FII Regulations are monitored by the SEBI and the RBI on an on-going basis. A more detailed discussion on the FII Regulations is provided below.

FII Investments

Since the Fund is registered with the SEBI as a FII sub-account, it will invest in Indian securities through the PIS. The RBI has granted general permission to all the SEBI registered FIIs to open foreign currency denominated accounts and special non-resident Rupee accounts in India. Income, net of withholding tax, must be credited to the special non-resident Rupee account. Transfers from the special non-resident Rupee account to the foreign currency denominated account are permitted, subject to payment of taxes wherever applicable and after obtaining appropriate tax clearance certification. Transfers of sums between the foreign currency denominated account and the special non-resident Rupee account must be made at market rates of exchange.

FIIs and FII sub-accounts are permitted to freely purchase and sell Indian securities on recognised stock exchanges, subject to executing all transactions through SEBI registered stock brokers.

FII Regulations

As a FII sub-account, the Fund must conduct its activities in conformity with the FII Regulations as amended from time to time.

A registered FII may, subject to ownership and pricing restrictions, purchase and sell securities issued by any Indian company, realise capital gains on investments made through the initial amount invested in India, subscribe to or renounce rights offerings for shares, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale and renunciation of rights offerings of shares.

Furthermore, the FII Regulations provide that:

- (a) a FII shall abide by the provisions of FII Regulations;
- (b) if any information or particulars previously submitted by a FII to the SEBI are found to be false or misleading, in any material respect, the FII shall forthwith inform the SEBI in writing;

- (c) if there is any material change in the information previously furnished by a FII to the SEBI, which has bearing on the certificate of registration granted by the SEBI, the FII shall forthwith inform the SEBI;
- (d) a FII shall appoint a domestic custodian and before making any investments in India, enter into an agreement with the domestic custodian providing for custodial services in respect of securities;
- (e) a FII shall, before making any investments in India, enter into an arrangement with a designated bank for the purpose of operating a special non-resident Rupee or foreign currency account; and
- (f) before making any investments in India on behalf of a sub-account, if any, a FII shall obtain registration for such sub-account in accordance these regulations.

A FII may invest only in the following:

- (a) securities in the primary and secondary markets including shares, debentures and warrants of companies, unlisted, listed or to be listed on a recognised stock exchange in India;
- (b) units of schemes floated by domestic mutual funds including Indian unit trusts, whether listed on a recognised stock exchange or not;
- (c) dated Government Securities;
- (d) derivatives traded on a recognised stock exchange;
- (e) commercial paper; and
- (f) security receipts issued by a registered asset Reconstruction Company or a Securitisation Company as defined under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the “**Securitisation Act**”).

Very recently SEBI has permitted FIIs and Sub-Accounts of FIIs to short sell, lend and borrow equity shares of Indian company subject to the extant FDI policy of the Government of India. Borrowing of equity shares by FII has been permitted only for the purpose of delivery into short sale.

In order to make investments in debt securities, the Company will be required to apply for limits as and when SEBI announces allocation or auction for debt limits. Only after the Company secures limit on First-come basis or auction, the Company will be eligible to invest in debt securities.

Investment in debt mutual funds is not regarded as an investment in equity or equity related instruments. No FII can invest in security receipts on behalf of its sub-account.

The purchase of equity shares or convertible debentures of an Indian company by a FII on its own account or by a FII sub-account shall not exceed 10 per cent of the total issued capital of that company or 10 per cent of the paid-up value of each series of the convertible debentures of that company, as the case may be. The investment by a foreign corporate or individual sub-account of a FII shall not exceed 5 per cent of the total issued capital of the company. Additionally, the total cumulative investment by all FIIs and sub-accounts in an Indian company shall not exceed 24 per cent of the paid-up capital or 24 per cent of paid-up value of each series of convertible debentures of such Indian company; however this

limit of 24 per cent can be increased to applicable sectoral caps / statutory limits by an Indian company provided a board resolution and a special resolution is passed by the shareholders of such Indian company to this effect.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations, 1992 (the "**Insider Trading Regulations**"), have been issued by the SEBI to prohibit and penalise insider trading in India. The Insider Trading Regulations prohibit (i) "insider" dealings in the securities of a company when in possession of "unpublished price sensitive information", (ii) communication of such information, or (iii) advising or procurement of any other person to deal in securities on the basis of such information. The terms "unpublished" and "price sensitive information" are defined by the Insider Trading Regulations. The insider is also prohibited from communicating, advising or procuring, directly or indirectly, any unpublished, price sensitive information to any other person who, whilst in possession of such unpublished price sensitive information, shall not deal in securities while in possession of such information. The prohibition under the Insider Trading Regulations Regulation 3A also extends to a company dealing, while in the possession of unpublished price sensitive information, to any company. It is to be noted that the SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in possession of unpublished price-sensitive information dealing in securities. The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

The Insider Trading Regulations require any person who holds more than five per cent of the issued shares or voting rights in any listed company to inform the company of the number of shares or voting rights held by such person, on becoming such holder, within four working days of:

- (a) the receipt of information of allotment of shares; or
- (b) the acquisition of shares or voting rights, as the case may be.

Furthermore, the Insider Trading Regulations require a director or an officer of a listed company to disclose to the company the number of shares or voting rights held by such person within four working days of becoming a director or officer of the company.

Any person who holds more than five per cent of the issued shares or voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him on a continuing basis, and also a change in shareholding or voting rights, even if such change results in the shareholding falling below five per cent. Such person also has to disclose any changes in the shareholding from the last disclosure made, provided such change exceeds two per cent of the total shareholding or voting rights in the company. Such disclosures are required to be made within four working days of:

- (a) the receipt of information of allotment of shares; or

(b) the acquisition or sale of shares or voting rights, as the case may be.

The Takeover Code

The Substantial Acquisition of Shares and Takeovers Regulations, 1997 (the “**Takeover Code**”) issued by the SEBI prescribes certain thresholds of securities ownership or trigger points that give rise to certain obligations thereunder.

Under the provisions of the Takeover Code, any acquirer who acquires 5 per cent or more in an Indian listed company is required to notify the company and the stock exchanges on which the shares of such company are listed about its holding. Furthermore, the acquirer who has acquired 5 per cent or more of the shares or voting rights in an Indian listed company is required to inform the company and the stock exchange about any change in its holding by 2 per cent or more of the paid-up capital of the company.

Upon the acquisition of 25 per cent or more of shares or voting rights or acquisition of control of the company, whether direct or indirect, the acquirer is required to make an open offer to the other shareholders offering to purchase at least 26 per cent of all the outstanding shares of the company at a minimum offer price as determined pursuant to the provisions of the Takeover Code (“**Open Offer**”). Under the provisions of the Takeover Code, any existing shareholder of an Indian listed company, holding 25 per cent or more shares of the company is entitled to acquire an additional 5 per cent share or voting rights in the company, in any financial year ending 31 March without making a public offer for such an acquisition. For any acquisition of shares beyond 49 per cent, such a shareholder will be required to make an Open Offer.

There are certain exemptions under the Takeover Code from the requirement of the Open Offer provisions in certain specific instances such as an inter se transfer of shares among the qualifying promoters of the Indian company, transfer of shares pursuant to a scheme of arrangement or reconstruction including amalgamation or merger or de-merger under any law or regulation, Indian or foreign, etc. If the Fund invests through subscription of shares under the preferential route or purchase of shares from existing promoters or shareholders in which case, it would be required to comply with the public offer provisions of the Takeover Code.

When the Fund invests through subscription of shares under the preferential route or purchase of shares from existing promoters or shareholders of an Indian listed company, it will be required to comply with the Open Offer provisions of the Takeover Code if such investment is beyond the specified limits. Therefore, to prevent the provisions of the Takeover Code related to the making of an open offer from being triggered investment in any Indian company by any person or entity (whether under FII alone or in conjunction with FDI route) would need to be less than 25 per cent.

It may be pertinent to note that a FII and its sub accounts are deemed to be persons acting in concert, unless contrary is established for the purposes of the Takeover Code for the purposes of calculating the above limits.

Anti Money Laundering

The Prevention of Money Laundering Act, 2005 (the “**PMLA**”), which came into force on 1 July 2005, embodies India's legislative commitment to the elimination and prevention of money laundering. The

main objects of PMLA are (i) the prevention and control of activities concerning money laundering and (ii) the confiscation of property derived or involved in money laundering.

Under the PMLA, a person is guilty of an offence of “money laundering” if that person “directly or indirectly attempts or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property”. The term “proceeds of crime” has been defined under the PMLA to mean property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to an offence listed in the schedule to the PMLA.

Pursuant to the entry into force of the PMLA and the rules enacted thereunder, a FII is required to maintain a record of all transactions having value of more than INR 1 million. FII is also required to appoint a principal officer who is obligated to report suspicious transactions and cash transactions above INR 1 million to the Director of the Financial Intelligence Unit set up by the Ministry of Finance. Further, in terms of the relevant Rules, FIIs are required to formulate and put in place an anti money laundering policy based on the Guidelines issued by the SEBI in this regard. Accordingly, the Fund may furnish such information to the SEBI or the RBI as may be necessary for it to fulfil its obligations under the PMLA and rules enacted thereunder, including provision of any information as may be sought by the Financial Intelligence Unit. By subscribing for Shares, Investors consent to the disclosure by the Fund, the Administrator and/or the Directors of any information about them, to the Financial Intelligence Unit and regulators in India including the SEBI and the RBI, upon request, in connection with money laundering and similar matters in India.

Please note that the foregoing disclosure is based on the current provisions of Indian laws and regulations thereunder, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

WINDING UP

Notwithstanding any other provisions of the Constitution, if the Fund shall be wound up, the liquidator shall apply the assets of the Fund in satisfaction of the claims of the creditors and Shareholders of the Fund in accordance with the provisions of the Act and any applicable Law.