



**Policy on protection of the interest of investors in the category of Mid-cap and
Small-cap Funds of Helios Mutual Fund**

Version 1.0



Background:

Securities and Exchange Board of India (SEBI) has vide email dated February 27, 2024, directed Association of Mutual Fund of India (AMFI) to communicate the following to the Trustees of all mutual funds:

In the context of the froth building up in the small and mid-cap segments of the market and the continuing flows in the small and mid-cap schemes of Mutual Funds, Trustees, in consultation with Unitholder Protection Committees of the Asset Management Companies (AMCs), shall ensure that a policy is put in place to protect the interest of all investors. The policy shall inter alia contain the following:

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

AMFI vide its notification 35P/MEM-COR/118/2023-24 dated 28th February 2024, communicated that AMFI, in consultation with SEBI, has decided that AMCs shall disclose, on its website as well as on AMFI website, the results of Stress Test and liquidity, volatility, valuation and portfolio turnover in respect of Mid Cap and Small Cap equity schemes as per the format provided, along with the guidance in simple language, assumptions and methodology to enable the investor to understand the risk associated with the aforesaid two categories of schemes. The said disclosure shall be made on the websites on a monthly basis within the timelines prescribed by AMFI/SEBI from time to time.

Objective:

This policy is put in place to protect the interest of the investors of Small-cap and Mid-cap Schemes of Helios Mutual Fund arising out of SEBI and AMFI communications.

Definitions:

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

- i. **Mid-cap Segment** – As per clause 2.7 of SEBI Master Circular dated June 27, 2024, mid-cap means 101st-250th company in terms of full market capitalization.
- ii. **Small-cap Segment** - As per clause 2.7 of SEBI Master Circular dated June 27, 2024, small-cap means 251st company onwards in terms of full market capitalization.

Applicability:

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

The AMC endeavours to address the points (i) and (ii) mentioned above through the following measures:



1. Portfolio Construction and Diversification

Considering the inherent nature of Midcap and Small cap securities, in terms of higher volatility and lower liquidity/volume as compared to Large cap stocks, the Fund Manager shall ensure the portfolio is liquid enough to manage redemptions, keeping in view relevant factors, including the past trends and concentration profile of the investors.

The Fund Managers will ensure a minimum number of stocks in the portfolios of the Small Cap and Mid Cap schemes to ensure adequate portfolio diversification. This will be based on the liquidity profile of the stocks and the Fund Manager will ensure that the same is monitored on daily basis and reported to Investment Committee on monthly basis. In case the liquidity profile is seen to deteriorate below a threshold, the Fund Manager will take steps to ensure a minimum liquidity in the portfolio based on the investor concentration and market trading volumes in the segment.

2. Stress Testing

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

In case of stress scenario as defined under 'Assumptions' in the AMFI circular 35P/MEM/COR/118/2023-24 dated 28th February 2024, the number of days required to liquidate 50 & 25% of portfolio shall be in accordance with the methodology prescribed in the said circular.

3. Communication

AMC shall ensure that in all its advertisement w.r.t. Mid-cap and Small cap Schemes, appropriate disclaimers, risk-o-meter etc, are disclosed especially while displaying the performance of the scheme.

4. Monitoring and Management of Inflows/outflows

- a) AMC shall monitor the pace and extent of inflows in the schemes and ability of the fund to invest in line with scheme objectives and strategy, and can consider if the situation so warrants, based on the recommendations of Fund Manager and Investment Committee, restrictions on fresh inflows through lump sum amount or cap on SIPs, switches etc. with the approval of the Boards of AMC and Trustees.
- b) The following instances shall also be reported to the Investment Committee on Monthly basis:
 - (i) Monthly Inflows and outflows for the small cap and mid cap funds as a % of fund size.
 - (ii) Liquidity of scheme in terms of days to liquidation for defined portfolio values at defined levels of participation.
 - (iii) Client Concentration of top 1, 5 and 25 investors in the fund where Top 1 Investor $\geq 10\%$, Top 5 Investors holding $\geq 25\%$, Top 25 Investors holding $\geq 50\%$



- (iv) Distributor Concentration of top 1, 5 and 25 distributors in the fund where Top 1 Distributor $\geq 10\%$, Top 5 Distributor holding $\geq 25\%$, Top 10 Distributor holding $\geq 50\%$
- (v) Portfolio holdings greater than 5% of the outstanding paid up share capital of the company.

5. Approach ensuring that investors are protected from the first mover advantage of redeeming investors

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

The AMC would, subject to the provisions of scheme information documents of the respective schemes, maintain relatively more liquid assets in cases of schemes where aggregate redemption occurs on a persistent basis.

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

Ownership and Responsibility:

The Chief Investment Officer – Helios Mutual Fund will be the owner of this policy and would ensure compliance with the requirements of the policy.

Risk Officer shall ensure monthly disclosure of various risk parameters prescribed by SEBI/AMFI on the websites of AMC & AMFI, and monitoring of various criteria stated in this Policy for periodic reporting to the CIO and Investment Committee.

Periodic Review of the Policy:

The policy shall be reviewed by the Investment Committee as and when need arises or at least on annual basis to ensure that the policy continues to reflect the evolving market scenarios.

The policy shall also be placed before the Unit Holders Protection Committee and Boards of AMC and Trustees for their review and approval on an annual basis.

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

This Policy is approved by UHPC and Board of the AMC on January 27, 2025 and Trustees on February 03, 2025.