



CIRCULAR

Cir/ IMD/ DF/12 /2011

August 1, 2011

All Mutual Funds, Asset Management Companies (AMCs)

Sir/Madam,

Sub: Indicative portfolio or yield in close ended debt oriented mutual fund schemes

1. This refers to circular SEBI/IMD/CIR No. 14/151044/09 dated January 19, 2009 regarding indicative portfolio and yields in mutual fund schemes. It was mentioned that mutual funds shall not offer any indicative portfolio and indicative yield and that no communication regarding the same in any manner whatsoever, shall be issued by any mutual fund or distributors of its products.
2. In order to enable investors to make a more informed decision regarding the quality of securities and risk associated with different close ended debt oriented schemes, it is decided that Mutual Funds (MFs) / AMCs may make following additional disclosures in the SID/SAI and KIM without indicating the portfolio or yield, directly or indirectly:
 - a. MFs/AMCs shall disclose their credit evaluation policy for the investments in debt securities.
 - b. MFs/AMCs shall also disclose the list of sectors they would not be investing.
 - c. MFs shall disclose the type of instruments which the schemes propose to invest viz. CPs, CDs, Treasury bills etc.
 - d. MFs shall disclose the floors and ceilings within a range of 5% of the intended allocation (in %) against each sub asset



class/credit rating. For example, it may be disclosed that x-y % would be in AAA rated bank CD as per the sample matrix below:

Credit Rating \ Instruments	AAA	AA	A	BBB
CDs				
CPs				
NCDs				
Securitized debt				
Any Other				

- e. After the closure of NFO, the AMC's will report in the next meeting of AMC's and Trustees the publicized percentage allocation and the final portfolio. Variations between indicative portfolio allocation and final portfolio will not be permissible.
3. All MFs/AMCs shall comply with the above requirements in letter and spirit.
4. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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