



**Taurus Asset Management Company Limited**

**Policy to protect the interests of investors of Mid-cap  
and Small-cap Schemes**

**Version 1.0**

## Background:

Pursuant to SEBI's directive, AMFI, vide its letter dated 27<sup>th</sup> February 2024, has directed 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 (UHPC) of the 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:

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

The policy shall be approved by Trustees and disclosed on each AMCs' website, within 21 days of this email.

## Existing Norms and Review

1. In addition to the existing regulatory norms as well as the existing internal norms prescribed by the Boards of AMC and Trustees including the Investment and other internal policies, which is being followed by the AMC, and also considering the inherent nature of mid-cap and small-cap stocks in terms of higher volatility and lower liquidity/volume as compared to large-cap stocks, the following additional norms will be followed in times of volatility in midcap and smallcap segments as determined by the Investment Committee or the regulator, in order to have better risk mitigation for mid-cap and small-cap schemes.

The Investment Committee shall review the same at periodic intervals for making any changes as may be deemed appropriate.

	<b>Allocation Min &amp; Max</b>	<b>Top 10 holdings MAX</b>	<b>Minimum number of Stocks</b>
Mid Cap Scheme	65%-85%	60%	30
Small Cap Scheme*	65%-85%	50%	40

### **\*As and When Launched**

2. In case of passive deviation from the above, Fund manager shall rebalance the portfolio within 30 days. Any deviation outstanding for more than 30 days shall be submitted to the Investment Committee on monthly basis and to the Risk Management Committee on quarterly basis, along with the fund manager's comments.
3. Investment Committee, on monthly basis shall review (a) Stress testing results in terms of percentage of portfolio that can be disposed of in 1/3 days (taking 1/3<sup>rd</sup> of average turnover over the past three months) (b) Investors' concentration.

Following additional measures are proposed for protection of interest of investors of small and mid-cap schemes:

#### **Stress Testing as per AMFI Methodology**

4. AMC shall perform stress testing of mid-cap and Small-cap funds at least on monthly basis as per the methodology prescribed by AMFI (Annexure-I) and present the results to the Investment Committee on Monthly basis and to the Risk Management Committee on quarterly basis. The format and methodology is enclosed as Annexure I.

#### **Disclosure of Risk Parameters**

5. Following disclosures of stress test and liquidity analysis shall be made on Taurus AMC website within 15 days after each month to enable the investors to take informed decisions:
  - A. Result of stress test – Pro-rata liquidation of 25%/50% of portfolio, after removing bottom 20% of portfolio based on scrip liquidity (considering 10% Participation Volume of 3-Month Daily Average traded volumes on both NSE and BSE - with 3x volumes)
  - B. Concentration on liability side (% of Top 10 investors) and asset side (% breakup in terms of Large-cap, Mid Cap, Small Cap and Debt/Cash)
  - C. Volatility Measures indicating Portfolio Annualised Standard Deviation (%), Benchmark annualized standard deviation (%) and Portfolio Beta
  - D. Valuation parameters – Portfolio Trailing 12m PE, Benchmark PE (Trailing 12m PE, Trailing 12, PE 1 year ago, Trailing 12m PE 2 years ago)
  - E. Portfolio Turnover Ratio

#### **Communication**

6. AMC shall ensure that in all its advertisement w.r.t. Mid-cap and Small-cap Schemes, the risks factors are appropriately disclosed, especially while displaying the performance of the scheme.

#### **Monitoring and Management of portfolio/inflows/outflows**

7. The following events shall trigger review of the portfolio and flows in the fund:
  - (a) Nos. of days to liquidate the portfolio (as per AMFI Methodology for Stress Testing) increase by more than 50% as compared to previous month/quarter.
  - (b) Inflows exceeding 25% of the fund size, over the past month.
  - (c) Outflows exceeding 10% of the fund size over the past 10 working days or 20% of the fund size over the past month or 5% of the fund size on any particular day.
  - (d) Days when more than 5% of the fund is not available for sale due to lower circuit

8. The above events would be reviewed by CIO along with concerned Fund Manager and Chief Risk Officer, and necessary action, if required, such as creation/maintenance of higher liquidity, restrictions on fresh inflows through lump sum amount or cap on SIPs, switches etc., imposition of (higher) exit load, etc. shall be taken in the interests of investors.

**Review**

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