

## Canara Robeco Mutual Fund

Investment Manager : Canara Robeco Asset Management Co. Ltd.  
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CIN No : U65990MH1993PLC071003

### NOTICE-CUM-ADDENDUM NO.41

#### Change in Fundamental Attribute of Canara Robeco Equity Diversified Fund

NOTICE IS HEREBY GIVEN THAT the Board of Trustees of Canara Robeco Mutual Fund has decided to change the Fundamental Attributes of Canara Robeco Equity Diversified Fund with effect from 10<sup>th</sup> February, 2021 ("Effective Date").

Consequently, the following changes are proposed to be made:

Sr. No.	Scheme Features	Existing	Proposed																																				
1	Name of scheme	Canara Robeco Equity Diversified Fund	Canara Robeco Flexi Cap Fund																																				
2	Category	Multi Cap Fund	Flexi Cap Fund																																				
3	Type of Scheme	An open-ended equity scheme investing across large cap, mid cap, small cap stocks.	An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.																																				
4	Asset Allocation	<table border="1"> <thead> <tr> <th rowspan="2">Instruments</th> <th colspan="2">Indicative allocations (% of total assets)</th> <th rowspan="2">Risk Profile</th> </tr> <tr> <th>Minimum</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Equity and equity related instruments</td> <td>65</td> <td>100</td> <td>High</td> </tr> <tr> <td>Debt and Money Market Instruments</td> <td>0</td> <td>35</td> <td>Low to Medium</td> </tr> <tr> <td>REITs/InvTs</td> <td>0</td> <td>10</td> <td>Medium to High</td> </tr> </tbody> </table> <p>As defined by SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 as amended from time to time. (Currently it defines Large Cap Companies as those which are ranked from 1 to 100 and Mid Cap Companies as those which are ranked from 101 to 250 based on their full market capitalization.)</p> <p>Investment in Derivatives can be upto 40% of the Net Assets of the Scheme.</p> <p>Gross investments in securities under the Scheme which includes equities, equity related instruments/securities, debt securities, money market instruments and derivatives will not exceed 100% of the net assets of the Scheme or such other limits as may be permitted by SEBI from time to time. The Scheme may take derivatives position based on the opportunities available subject to the guidelines issued by SEBI from time to time and in line with the overall investment objective of the Scheme. These may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under the SEBI Regulations. Exposure by the scheme in derivative shall be in accordance with Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010 as may be amended from time to time.</p> <p>Investment by the Scheme in ADRs/GDRs shall not exceed 10% of the net assets of the Scheme as on the date of such investments.</p> <p>The Scheme may invest in Foreign Securities up to 10% of the net assets of the Scheme. However, investment in ADRs/GDRs would be included under the overall investment limits set for foreign securities.</p> <p>The stock lending done by the Scheme (if any) shall not exceed 25% of the net assets of the Scheme as on the date of such lending. Process for lending securities shall be in accordance with the guidelines on securities lending and borrowing issued by SEBI from time to time.</p> <p>The Scheme does not intend to invest in Securitised debt.</p> <p>The scheme may invest in Units issued by REITs and InvTs as per SEBI guidelines.</p> <p>The Scheme does not intend to invest in structured obligations/Credit Enhancements.</p> <p>Pending deployment of the corpus of the Scheme in terms of investment objective, the Fund may invest the corpus of the Scheme in short term deposits in accordance with the guidelines issued by SEBI from time to time.</p> <p>As per the provisions of SEBI circular dated 28th December, 2018 and 7th November 2019, the AMC may create segregated portfolio in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA) below a specified rating level (Subject to guideline specified by SEBI which may change from time to time).</p> <p>The creation of segregated portfolio shall be optional and at the discretion of Canara Robeco AMC Ltd.</p>	Instruments	Indicative allocations (% of total assets)		Risk Profile	Minimum	Maximum	Equity and equity related instruments	65	100	High	Debt and Money Market Instruments	0	35	Low to Medium	REITs/InvTs	0	10	Medium to High	<table border="1"> <thead> <tr> <th rowspan="2">Instruments</th> <th colspan="2">Indicative allocations (% of total assets)</th> <th rowspan="2">Risk Profile</th> </tr> <tr> <th>Minimum</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Equity and equity related instruments</td> <td>65</td> <td>100</td> <td>High</td> </tr> <tr> <td>Debt and Money Market Instruments</td> <td>0</td> <td>35</td> <td>Low to Medium</td> </tr> <tr> <td>REITs/InvTs</td> <td>0</td> <td>10</td> <td>Medium to High</td> </tr> </tbody> </table> <p>As defined by SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 as amended from time to time. (Currently it defines Large Cap Companies as those which are ranked from 1 to 100, Mid Cap Companies as those which are ranked from 101 to 250 and Small cap companies as those which are ranked 251st company onward based on their full market capitalization.)</p> <p>Investment in Derivatives can be upto 40% of the Net Assets of the Scheme.</p> <p>Gross investments in securities under the Scheme which includes equities, equity related instruments/securities, debt securities, money market instruments, REITs/InvTs and derivatives will not exceed 100% of the net assets of the Scheme or such other limits as may be permitted by SEBI from time to time. The Scheme may take derivatives position based on the opportunities available subject to the guidelines issued by SEBI from time to time and in line with the overall investment objective of the Scheme. These may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under the SEBI Regulations. Exposure by the scheme in derivative shall be in accordance with Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010 as may be amended from time to time.</p> <p>The Scheme does not intend to invest in foreign securities.</p> <p>The stock lending done by the Scheme (if any) shall not exceed 20% of the net assets of the Scheme as on the date of such lending. Process for lending securities shall be in accordance with the guidelines on securities lending and borrowing issued by SEBI from time to time.</p> <p>The Scheme does not intend to invest in Securitised debt.</p> <p>The scheme may invest in Units issued by REITs and InvTs as per SEBI guidelines.</p> <p>The Scheme does not intend to invest in structured obligations/Credit Enhancements.</p> <p>Pending deployment of the corpus of the Scheme in terms of investment objective, the Fund may invest the corpus of the Scheme in short term deposits in accordance with the guidelines issued by SEBI from time to time.</p> <p>As per the provisions of SEBI circular dated 28th December, 2018 and 7th November 2019, the AMC may create segregated portfolio in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA) below a specified rating level (Subject to guideline specified by SEBI which may change from time to time).</p> <p>The creation of segregated portfolio shall be optional and at the discretion of Canara Robeco AMC Ltd.</p>	Instruments	Indicative allocations (% of total assets)		Risk Profile	Minimum	Maximum	Equity and equity related instruments	65	100	High	Debt and Money Market Instruments	0	35	Low to Medium	REITs/InvTs	0	10	Medium to High
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5	Creation of Segregated Portfolio	<p>The following clauses shall be incorporated in the SID under given headings/clauses</p> <p><b>1. RISK FACTORS ASSOCIATED WITH CREATION OF SEGREGATED PORTFOLIO</b></p> <p>Investor holding units of segregated portfolio may not be able to liquidate their holding till the time recovery of money from the issuer. Security comprising of segregated portfolio may not realise any value. Listing of units of segregated portfolio in recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further, trading price of units on the stock market may be significantly lower than the prevailing NAV.</p> <p><b>2. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?</b></p> <p>As per the provisions of SEBI circular dated 28th December, 2018 and 7th November 2019, the AMC may create segregated portfolio in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA) below a specified rating level (Subject to guideline specified by SEBI which may change from time to time).</p> <p>The creation of segregated portfolio shall be optional and at the discretion of Canara Robeco AMC Ltd.</p> <p><b>3. PERIODIC DISCLOSURES</b></p> <p>AMC may start the process of creation of segregated portfolio subject to the following:</p> <ol style="list-style-type: none"> <li>There is a credit event at issuer level wherein the ratings of a security goes below investment grade ratings and further downgrades thereafter.</li> <li>In case of multiple CRAs rating the issue, AMC will consider the most conservative rating amongst them.</li> <li>Creation of segregated portfolio shall be based on issuer level credit events and implemented at the ISIN level.</li> <li>Creation of segregated portfolio is optional and at the discretion of the AMC.</li> </ol> <p><b>Process:</b></p> <p><b>a. Decide on the creation of segregated portfolio</b></p> <ol style="list-style-type: none"> <li>A special Risk Management committee (RMC) meeting will be called on the day of the credit event to decide on the creation of segregated portfolio.</li> <li>The concerned scheme's fund manager, Head - Operations and Credit analysts will be special invitees to this meeting.</li> </ol> <p><b>b. If the RMC decides to segregate portfolio, AMC shall</b></p> <ol style="list-style-type: none"> <li>Seek approval from trustees prior to creation of the segregated portfolio. Such approval from the trustees should be received within a business day from the day of credit event.</li> <li>Immediately issue a press release disclosing the intention to segregate such debt and money market instrument and its impact on the investors. The press release will disclose that the segregation shall be subject to trustee approval and shall also be prominently disclosed on the website of the AMC.</li> <li>Ensure that till the time the trustee approval is received, the subscription and redemption in the scheme is suspended for processing with respect to creation of units and payment on redemptions.</li> </ol> <p><b>c. Once trustee approval is received by the AMC</b></p> <ol style="list-style-type: none"> <li>Segregated portfolio will be effective from the day of credit event</li> <li>AMC will issue a press release immediately with all relevant information pertaining to the segregated portfolio.</li> <li>AMC will also submit the said information to SEBI.</li> <li>An e-mail or SMS will be sent to all unit holders of the concerned scheme.</li> <li>The NAV of both segregated and main portfolio will be disclosed from the day of the credit event.</li> <li>All existing investors in the scheme as on the day of the credit event will be allotted equal number of units in the segregated portfolio as held in the main portfolio.</li> <li>No redemption and subscription are allowed in the segregated portfolio.</li> <li>AMC will enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and will enable transfer of such units on receipt of transfer requests.</li> </ol> <p><b>d. If the trustees do not approve the proposal to segregate portfolio</b></p> <ol style="list-style-type: none"> <li>AMC will issue a press release immediately informing investors of the same.</li> </ol>
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#### Portfolio Valuation

The valuation of the debt or money market instrument will take in to account the credit event and the portfolio will be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.

Currently the SEBI circular pertaining to valuation of securities that are below investment grade is as under:

A money market or debt security shall be classified as "below investment grade" if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3.

A money market or debt security shall be classified as "Default" if the interest and/or principal amount has not been received, on the day such amount was due or when such security has been downgraded to "Default" grade by a CRA. In this respect, Mutual Funds shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and/or principal amount (part or full) in any security.

All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies.

Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts.

In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, such traded price for valuation shall be considered if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies.

In case of trades after the valuation price is computed by the valuation agencies as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below:

- The indicative haircut that has been applied to the principal should be applied to any accrued interest.
- In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal.
- In case of securities classified as default, no further interest accrual shall be made.

The following shall be the treatment of how any future recovery should be accounted for in terms of principal or interest:

- Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV.
- Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

#### SUBSCRIPTIONS AND REDEMPTIONS

In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the corresponding NAV of the total portfolio of the credit event date or subsequent business day as per SEBI circulars on NAV applicability.

Upon trustees' approval to create a segregated portfolio

- All existing investors in the scheme as on the day of the credit event will be allotted equal number of units in the segregated portfolio as held in the main portfolio.
- Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
- Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.

#### DISCLOSURE REQUIREMENTS

In order to enable the existing as well as the prospective investors to take informed decision, the AMC shall adhere to the following:

- A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event will be communicated to the investors within 5 working days of creation of the segregated portfolio.
- Adequate disclosure of the segregated portfolio will appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.
- The Net Asset Value (NAV) of the segregated portfolio will be declared on daily basis.
- The information regarding number of segregated portfolios created in a scheme will appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.
- The scheme performance required to be disclosed at various places will include the impact of creation of segregated portfolio.
- The scheme performance will clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery (ies), if any, shall be disclosed as a footnote to the scheme performance.
- The disclosures at paragraph 6(iv) to 6(vi) above regarding the segregated portfolio will be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/written-off.
- The investors of the segregated portfolio will be duly informed of the recovery proceedings of the investments of the segregated portfolio.
- Status update will be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

#### TOTAL EXPENSE RATIO (TER) OF SEGREGATED PORTFOLIO

AMC will not charge investment and advisory fees on the segregated portfolio. Upon recovery of the investments in segregated portfolio on pro rata basis TER (excluding the investment and advisory fees) will be charged. AMC will ensure that the TER so levied will not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.

Proportional to the amount of recovery and within the maximum TER limit as applicable to the main portfolio, the legal charges related to recovery of the investments of the segregated portfolio will be charged to the segregated portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC. The AMC will ensure that costs related to segregated portfolio are never charged to the main portfolio.

#### REPORTING TO TRUSTEES & MONITORING BY TRUSTEES

In order to enable the trustees to monitor the AMC efforts to ensure timely recovery of investments of the segregated portfolio, the AMC will:

- Make sincere efforts to recover the investments of the segregated portfolio.
- Will place an Action Taken Report (ATR) on the efforts made by the AMC to recover the investments of the segregated portfolio is placed in every trustee meeting till the investments are fully recovered/written-off.
- Will upon recovery of money, whether partial or full, with notice to the Trustees immediately distribute to the investors in proportion to their holding in the segregated portfolio.
- AMC will also distribute recovery of amount of a security that is written off (in the segregated portfolio) to the investors of the segregated portfolio.

The trustees will monitor the compliance of this circular and disclose in the half-yearly trustee reports filed with SEBI, the compliance in respect of every segregated portfolio created.

In order to avoid mis-use of segregated portfolio, trustees shall ensure to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Investment heads, etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

#### Illustration of Segregated Portfolio

##### Portfolio before Credit Event:

Total Portfolio	Regular Plan	Direct Plan
Net Assets (in Rs.)	950	250
No. of Unit	40	20
NAV per Unit (in Rs.)	23.75	12.50

The above portfolio has a security ABC with current market value before the credit event of Rs.200. The same is allocated between the two plans i.e. Regular and Direct plan as follows:

Total Portfolio	Regular Plan	Direct Plan
Net Assets before mark down (including ABC security)	950	250
Market Value of ABC Security	150	50

Credit event occurs in security ABC. On the date of credit event the instrument is downgraded below investment grade or has defaulted and consequently marked down by 50% from Rs. 200 to Rs. 100 (proportionately allocated under the Regular and Direct Plan).

After splitting the Total portfolio into Main portfolio and Segregated portfolio, the impact will be as below:

##### Main Portfolio after segregation:

Total Portfolio	Regular Plan	Direct Plan
Net Assets after segregation (a)	800	200
No. of Unit (b)	40	20
NAV per Unit (In Rs.) (c=a/b)	20.00	10.00

##### Segregated Portfolio:

Total Portfolio	Regular Plan	Direct Plan
Net Assets after segregation* (a)	75	25
No. of Unit (b)	40	20
NAV per Unit (In Rs.) (c=a/b)	1.88	1.25

(\*Equivalent of market value of segregated security)

For existing investors, the total portfolio will decline by the amount segregated as mentioned in the table above (i.e. value of main portfolio after segregation). They will be allotted equal number of units in the main portfolio and the segregated portfolio in the same proportion as held by them in the total portfolio. Thereafter, existing investors can redeem from the main based on the prevailing NAV and they will continue to hold units in the segregated portfolio. For any new investor, they will be allotted units only in the main portfolio based on the prevailing NAV. NAV of the segregated portfolio may undergo a change in future depending on any recovery and any applicable haircut.

All other terms and conditions of the above mentioned scheme will remain unchanged. All references to the above provisions will be suitably incorporated in the Scheme Information Documents ("SID") and Key Information Memorandums ("KIM") of the aforesaid Scheme.

Existing Unit holders who are not in agreement with the aforesaid changes may exit the Scheme by redeeming their units or switching to other available/eligible Schemes of Canara Robeco Mutual Fund at the prevailing Net Asset Value without payment of exit load ("if any") between 11<sup>th</sup> January, 2021 to 9<sup>th</sup> February, 2021 (both days inclusive). Unit holders who do not exercise the exit option by 9<sup>th</sup> February, 2021 (the last date) shall be deemed to have consented to the proposed change.

Since, the proposed change to the aforesaid scheme amounts to a change in the fundamental attributes of the Scheme as per regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996, a letter/written communication is to be sent to all existing unit holders of Canara Robeco Equity Diversified Fund in this behalf. In case, any existing Unit holder has not received the communication, they are advised to contact any of the Investor Relation Centers/Sales Offices of Canara Robeco Mutual Fund.

Redemption/Switch requests, if any, may be submitted at any of the Official Points of Acceptance of Canara Robeco Mutual Fund on or before 9<sup>th</sup> February, 2021. Investors who desire to opt for online facility may visit our website: [www.canararobeco.com](http://www.canararobeco.com) and follow the instructions carefully. However, the online facility is available only for KYC compliant investors. The redemption payment will be made within 10 Business Days of receipt of valid redemption request to those unit holders who choose to exercise their exit option. Unit holders who have pledged/encumbered their units will not have the option to exit unless they submit a release of their pledges/encumbrances prior to submitting their redemption/switch requests.

Unit holders should ensure that any change in address or pay-out bank details required by them, are updated in the Fund's records before exercising the exit option.

Unit holders may note that redemption/switch-out by them due to change in the fundamental attributes of the Scheme or due to any other reason may entail tax consequences. In view of the individual nature of the implications, each Unit holder is advised to consult his or her own tax advisor.

Unit holders may note that no action is required in case they are in agreement with the aforesaid changes, which shall be deemed as acceptance of these changes.

The updated SID & KIM of the Schemes containing the revised provisions shall be made available with our Investor Relation Centers and also displayed on the website [www.canararobeco.com](http://www.canararobeco.com) immediately after completion of duration of exit option. Consequently, on and from the Effective Date, the changes in fundamental attributes of the Canara Robeco Equity Diversified Fund shall stand revised in the SID and KIM of the aforesaid scheme.

This addendum shall form an integral part of the SID/KIM of the Scheme of Canara Robeco Mutual Fund as amended from time to time.

Unit holders are requested to visit [www.canararobeco.com](http://www.canararobeco.com) to claim their amounts remaining unclaimed or unpaid and follow the prescribed procedure therein.

For and on behalf of Canara Robeco Asset Management Company Ltd.  
(Investment manager for Canara Robeco Mutual Fund)

Date: 04-01-2021  
Place: Mumbai

sd/  
Authorised Signatory

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.