

## **INFORMATION MEMORANDUM**

amended version September 2007

The directors of the Fund, whose names appear in "The Board of Directors of the Fund" below (the "Directors"), accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything which is likely to affect the import of such information. The Directors accept responsibility accordingly.

The granting of a license from the Financial Services Commission of Mauritius shall not in any way imply that the FSC has conveyed its approval, or otherwise vouch for the financial soundness or the correctness of any statements made or opinions expressed in this Information Memorandum.

### **India Emerging Opportunities Fund**

(a company with limited liability incorporated in Mauritius with registration number 44973C1/GBL)

**Ongoing subscription to the redeemable preference shares of nominal value of USD 0.01 each.**

Managed by

Enterprise Investment Managers Limited (a company incorporated in Mauritius)

Advised by ASK Investment Managers Private Ltd (a company incorporated in India)

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**If investors are in any doubt about the contents of this document, they should consult their stockbroker, bank manager, legal advisor, professional accountant or other professional advisor. Potential investors in the Fund are warned that investment in the Fund is subject to a high degree of risk. The Indian stock market and India's economy are volatile and subject to economic uncertainty. The Fund's investments will be subject to the normal investment risks and, in addition, may be adversely affected by political developments and/or changes in local laws, exchange rates, rates of taxation, and exchange controls. Investment in shares is only suitable for sophisticated investors who can afford to take a long term view. Potential investors in the Fund should note the Risk Factors set out in this document.**

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## **Section 1- Definition**

The following definitions apply throughout this document unless the context requires otherwise:

<b>Administrator or Secretary</b>	means Deutsche International Trust Corporation (Mauritius) Limited (DITCML)
<b>Auditors</b>	means Ernst & Young (Mauritius) being the current auditors of the Company or such other firm of Chartered Accountants as may be appointed by the Directors from time to time
<b>Board or Directors</b>	means the Board of Directors of the Company.
<b>Business Day</b>	means any day (other than Saturday or Sunday) on which banks are open for normal banking business in Mauritius and Indian stock exchanges being operational
<b>Constitution</b>	means the Constitution of India Emerging Opportunities Fund Limited
<b>FII</b>	means Foreign Institutional Investor, as so approved by SEBI to invest in Indian Securities
<b>Fund</b>	means India Emerging Opportunities Fund Limited
<b>India</b>	means the Republic of India
<b>Indian Custodian</b>	means Deutsche Bank AG, Mumbai
<b>Investment Advisor</b>	means ASK Investment Managers Private Limited
<b>Investment Advisory</b>	means agreement dated 16 <sup>th</sup> September 2006 between ASK

<b>Agreement</b>	Investment Managers Private Limited and Enterprise Investment Managers Limited
<b>Investment Advisory Fee</b>	means the fees for investment advisory services paid by the Investment Manager to the Investment Advisor as set out in the Investment Advisory Agreement
<b>Investment Manager</b>	means Enterprise Investment Managers Limited
<b>Investment Management Agreement</b>	means agreement dated September 16, 2006 between Enterprise Investment Managers Limited and the Fund
<b>Law</b>	means the laws of Mauritius and India including any Act, Regulation, Rule, Proclamation, Order or revised edition for the time being in force and applying to the Fund.
<b>Mauritian Global Custodian</b>	means Deutsche Bank, Mauritius
<b>Mauritius</b>	means the Republic of Mauritius
<b>Net Asset Value</b>	means the net asset value of the Portfolio as calculated on the basis set out in accordance with the "Constitution"
<b>Non-Qualified Person</b>	means (a) any employee benefit plan (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")) which is subject to the provisions of Title I of ERISA, (b) any plan described in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended, which is subject to the provisions of Section 4975 of the Code, (c) any entity whose underlying assets include "plan assets" by reason of a plan's (as defined in (a) or (b) above)

investment in such entity, as determined under the United States Department of Labour regulations published at 29 C.F.R. Section 2510.3-101, (d) any individual under the age of 18, or (e) any individual over the age of 18, corporation, entity, or other person to whom a transfer to, or holding by such person of Shares, would or may (1) be in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances; or (2) result in the Fund incurring any liability to taxation which the Fund would not otherwise have incurred or suffered; or (3) require the Fund to be registered under any statute, law or regulation whether as an investment fund, trust, scheme, or otherwise or cause the Fund to be required to apply for registration or comply with any registration requirements in respect of any of its Shares whether in the United States of America or any other jurisdiction, including without limitation under the Securities Act or the 1940 Act

<b>Shares</b>	means the redeemable preference shares of US\$0.01 each in the capital of the Fund and having the rights provided for under the “Constitution” with respect to such shares.
<b>Portfolio</b>	means assets less the liabilities, attributable to a class of shares of the Fund
<b>RBI</b>	means the Reserve Bank of India
<b>Redemption Day</b>	means the date, as shall be determined accordance with the “Constitution”
<b>Redemption Net Asset Value</b>	means the Net Asset Value, as shall be determined accordance with the Constitution

<b>Redemption Price</b>	means the price at which the Shares shall be redeemed in accordance with the "Constitution"
<b>Register</b>	The register of transfers to be kept pursuant to the Law.
<b>Rupee</b>	means the lawful currency of India
<b>SEBI</b>	means the Securities and Exchange Board of India
<b>Securities Act</b>	means the United States Securities Act of 1933, as amended
<b>Shareholder</b>	means a registered holder of Shares
<b>Subscription Net Asset Value</b>	means the Subscription Net Asset Value, as shall be determined accordance with the "Constitution"
<b>United States</b>	means the United States of America, its territories or possessions or any areas subject to its jurisdiction.
<b>Valuation Day</b>	means a day on which the Net Asset Value is to be calculated, in accordance with the Constitution.
<b>1940 Act</b>	means the United States Investment Company Act of 1940 as amended

## **Section 2: Offer Summary**

**Class of Shares:** Redeemable Preference shares of face value of US\$ 0.01

Minimum Subscription: As mentioned in offer document or term sheet of each class

**Issue Price:** The issue price for the initial issue of shares would be at a premium of US \$0.99, i.e., at a price of US\$ 1 per share. Any subsequent issue of shares would be at the Net Asset Value of the relevant Class of Shares on the relevant Valuation Day

**Please refer to application form and term sheet for details of each class of shares.**

## **Section 3: Investment Restrictions**

- (a) The Company will ensure that no investment shall be made which would result immediately after such investment having been made (and after taking account of any unpaid investment in respect thereof) in: -
1. The value of the Company's holding of securities of any one company or body exceeding 5% of the Net Asset Value;
  2. The nominal amount of the Company's holding of a security of any one class in any company or body exceeding 10% of the total nominal amount of all the issued securities of that class; or
  3. The value of the Company's total holding of unquoted investments (other than shares or units in other collective investment schemes) exceeding 15% of the net asset value; or
  4. The contract value of the Company's holding of futures contracts (other than futures contracts entered into for hedging purposes) exceeding 5% of the Net Asset Value; or
  5. With the exception of (6) below the value of the company's total holdings of options and warrants (other than the those held for hedging purposes) exceeding 10% of the Net Asset Value, but together with (1) above limited in any one company or body

to 10% of the Net Asset Value in terms of the exercise price; or

6. The value in terms of the exercise price of call option exceeding 25% of the Net Asset Value

(b) The Company will not:

1. Invest directly in land or buildings (or any options, rights or interests in respect thereof);
2. Make any investment which would involve the assumption of unlimited liability; or
3. Sell securities short; or
4. Make any loan out of the Company's assets or guarantee any loan without the Shareholders prior approval; or
5. Write uncovered options; or
6. Assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money

None of these restrictions shall require the realization of any assets of the Company where any such restriction is breached as a result of any event outside the control of the Company occurring after the relevant investment was made or upon exercise of conversion rights attached to any investments held by the Company, but no further such investments may be acquired for the account of the Company until the relevant restriction can again be complied with and regard shall be had to such limits when contemplating changes to the Company's portfolio.

### **Borrowing**

The company may borrow and pledge its assets as security for such borrowings provided that borrowings do not exceed 35% of the Net Asset Value of the Company.

### **Section 4: Dividend Policy**

Since the Fund's investment objective is to achieve long-term capital appreciation it is unlikely that the Company will declare and pay dividends. It is the current intention of the Directors to reinvest any profits on the sale of investments.

## **Section 5: Fund Structure**

The Fund was incorporated on 14 February 2003 under the laws of Mauritius as an open-ended investment company with limited liability. The Fund was registered on 27 February 2003 with the Financial Services Commission as a "Category 1 Global business company" for the purposes of the Financial Services Development Act 2001. The Fund has also obtained a certificate of Mauritian tax residence dated 22 April 2003 from the Commissioner of Income Tax in Mauritius.

The Fund has been advised that it should benefit from the tax advantages available to it under the India/Mauritius Double Taxation Treaty on the basis set out in "Taxation" below.

The Fund, serves as the investment vehicle for undertaking investments in Indian capital markets. The Fund has obtained a category 1 Global Business License from the Mauritius authorities.

Tom Hamilton, the promoter of the Fund based in the United States subscribed for the management shares required to set up the Fund. Subsequently, the Fund is getting funded by way of preference share capital from the investors.

The Fund is registered as a 'foreign corporate' sub-account of an existing FII registered with the SEBI. As per the SEBI FII regulations, a foreign corporate sub-account may invest in up to 5 percent of the total issued capital of an investee company.

Different classes/series of preference shares will be issued to investors, based on their requirements/profiles such as investment objectives, focus, risk appetite, etc. It is possible that the Fund will issue the same class/series of shares to investors having similar requirements/profiles.

## **Section 6: Eligible Investors**

The Fund will target investors from Gulf, Africa, Europe, South East Asia and rest of the world. However, 'Overseas Corporate Bodies' i.e. foreign corporates with at least 60 percent Non-resident Indian Investor holding would not be permitted to invest. Further, the residents of India

and Mauritius are not eligible to invest in the Fund. But a Global Business License company holding GBL 1 or GBL 2 can invest in the Fund. Additionally, entities/persons not permitted to invest in the Fund as per any Indian regulations, would also not be eligible to invest in the Fund.

## **Section 7: Anti-Money Laundering Provisions**

The Fund will be regulated by the Financial Intelligence and Anti Money Laundering Act 2002 and under provisions of the Act, the investors will be required to submit all documents listed in the subscription forms.

**The attention of investors is drawn to the section of this document entitled "Risk Factors".**

## **Section 8: Management and Administration**

### **1. The Board of Directors of the Fund**

Tom Hamilton

Tom Hamilton is an MBA from Harvard Graduate School of Business Administration and has done SB in Mechanical Engineering and SB in Metallurgy from Massachusetts Institute of Technology.

Tom Hamilton has worked in senior management positions in various fund management outfits of Raymond James Group like Heritage Asset Management, Awad Asset Management and Eagle Asset management and has extensive experience in the Fund Management business. He has also been a Trustee with the Heritage Family of Funds that manage funds over 7 billion dollars. He also has worked with Asset Management Services, which manages moneys for retail customers, with total assets of US \$ 4.2 billion. Tom Hamilton has also worked in Eagle Asset Management, a wholly owned subsidiary of Raymond James. From 1998 to 2000 as Vice President Corporate Development.

## Rajesh Ajgaonkar

Rajesh Ajgaonkar holds a Masters Degree in Commerce and a Degree in Law. He is a qualified Cost & Works Accountant as also a Company Secretary. He has more than 17 years of work experience including 12 years in the capital markets, as a finance, legal and compliance person. As a part of his working career, he was associated with the Life Insurance Corporation of India, Tata Motors, IDBI Capital Market Services and Birla Sun Life Mutual fund.

## Mark Law

Mark Law is head of the Mauritius Insourcing Group, operating within Deutsche International Trust Corporation (Mauritius) Limited. The group specialises in providing accounting and valuation services for funds, structured finance, and capital markets transactions around the world, with particular focus on offshore jurisdictions. Mark Law joined Deutsche Bank in Jersey in 2003 after working for Arthur Andersen in both London and Jersey and Deloitte & Touche, as an audit manager in the Financial Services Division.

Mark Law is a qualified accountant from the Association of Chartered Accountants of England and Wales.

The address of each of the Directors for the purposes of the Fund is the registered office of the Fund.

The Directors are responsible, among other things, for establishing the investment objective and policy of the Fund and for monitoring the Fund's investments and performance. They are also ultimately responsible for and will take independent decisions with regard to the investment of the assets of the Fund. The other rights, duties and obligation of the directors are as per the Constitution.

## 2. The Investment Manager & Investment Advisor

### The Investment Manager

Enterprise Investment Managers Ltd. Mauritius, sponsored by Mr. Thomas Hamilton was founded in 2006. Thomas Hamilton is an MBA from Harvard Graduate School of Business Administration and has done SB in Mechanical Engineering and SB in Metallurgy from Massachusetts Institute of Technology.

Tom Hamilton has worked in senior management positions in various fund management outfits of Raymond James Group like Heritage Asset Management, Awad Asset Management and Eagle Asset management and has extensive experience in the Fund Management business. He has also been a Trustee with the Heritage Family of Funds that manages funds over 7 billion dollars. Tom Hamilton also has worked with Asset Management Services, which manages moneys for retail customers, with total assets of US \$ 4.2 billion. Tom Hamilton has also worked in Eagle Asset Management, a wholly owned subsidiary of Raymond James from 1998 to 2000 as Vice President Corporate Development.

Mr. Ouma Shankar Ochit and Mr. Vinoba Gunnoo currently make up the strength of the Board of the Directors of Enterprise Investment Managers. They possess the requisite experience and understanding of the Indian capital markets to help discharge their key function as Investment Managers. Further, they may also take the non-binding advice / recommendations from the Investment Advisor, while discharging their functions as the Investment Manager for the Fund.

Mr. Ouma Shankar (Swaraj) Ochit, FCCA, MBA, (Director) is a Senior partner at Nexia Baker & Arenson, having 17 years experience in auditing, accountancy and financial services. He has successively been audit supervisor at Coopers & Lybrand, Senior Accountant at university of Mauritius, and Senior Executive at International Financial Services Limited before joining Nexia Baker & Arenson. He is also a director of Halifax Management Limited.

Mr. Vinoba Gunnoo is a Member of the Chartered Association of Certified Accountants, A.C.C.A. in England. He is a Partner in the Accounting & Audit and Business Advisory division of Nexia Baker & Arenson. He has over 19 years of experience in the field of accounting, audit, taxation

and business advisory work. In the past, he was associated with De Chazal Du Mee as Audit Supervisor and with with Coopers & Lybrand, Price Waterhouse Coopers, Mauritius as Audit Senior.

Further, they may also take the non-binding advice / recommendations from the Investment Advisor, while discharging their functions as the Investment Manager for the Fund.

## **The Investment Advisor**

The Fund and the Investment Manager have appointed ASK Investment Managers Pvt Ltd.(previously known as ASK Raymond James Securities India Pvt Ltd) as Investment Advisor to the Fund, responsible for **providing non-binding** advice with relation to the Fund's investments. ASK Investment Manager Private Limited (ASKIM), an ISO 9001 certified organisation, is a joint venture between ASK Group and Mr. Bharat Shah. ASKIM has been appointed the Investment Advisor to the Fund since inception. ASKIM is licensed by the Securities Exchange Board of India (SEBI) to provide portfolio management and investment advisory services. ASKIM has been the pioneer in Portfolio and Wealth Management Services in India, catering to individuals and institutions, both in India and abroad.

While the Investment Advisor will provide non-binding advice / recommendations to the Investment Manager regarding the Fund's Investments, the final discussions to invest would rest with the Directors of the Fund.

## **Investment Advisory Team**

### **Key members of the Investment Team**

#### **Bharat Shah – CEO & Managing Partner**

Role: Principal shareholder and CEO of ASKIM, he is responsible for the growth and success of the business. He joined ASK Investment Managers in December 2002.

Professional Achievements: Mr. Bharat Shah (C.A., C.W.A., MBA (IIM Cal)) has total experience of 17 years of which last 12 years have been spent on work related to capital markets while the remaining period is in the area of corporate finance and accounts. Prior to the present role he

has worked for 8 years as CIO (Chief Investment Officer) of Birla Sun Life AMC Ltd., Mumbai. Mr. Shah brings with him valuable experience and deep insight into capital markets, strong track record of performance, maturity and pervasive interface with the Indian corporate world.

**Sanjay Parekh – Senior Portfolio Manager (Head of Investments)**

Role: Primary responsibility involves understanding the Business and identifying potential companies having sustainable and profitable growth.

Professional Record: Sanjay brings with him rich, wide and varied experience in the field of equity research. He has been associated with various Organizations like Capital Market Magazine, Insight AMC Pvt. Ltd., Sunidhi Consultancy Ltd., and Prabhudas Liladhar Pvt. Ltd. (where he worked last).

Educational Background: Sanjay is an Commerce graduate and has completed his Chartered Accountancy as well.

**Neelesh Surana – Portfolio Manager**

Role: He is responsible for coverage of sectors like Consumers and Metals assisting the team in portfolio decisions.

Professional Record - After his engineering he has worked in industry for two years with Blue Star. Prior to joining ASKIM in August 2003, he has worked in the Institutional Equity team of IL&FS broking arm. Altogether, his experience in capital markets exceeds eleven years.

Educational Background - He is a Mechanical Engineer and a MBA.

**Mehul Bhatt- Portfolio Manager**

Role: His main area of expertise is Pharmaceutical and Agrochemicals.

Professional Record: After engineering, he worked at a leading multinational, where he was involved in Logistics, Supply Chain Management, and New Business initiatives. He was also part of one of the largest telecom rollouts globally before joining ASKIM in September 2003.

Educational Background: Mehul Bhatt is an Engineer and MBA from the Indian School of Business (ISB), Hyderabad. He specialized in Finance and Marketing.

### **3. The Indian Custodian**

The Fund has appointed Deutsche Bank AG acting through its Mumbai branch as the Indian

custodian and holder of record of the Indian investments and cash.

#### **4. The Administrator, Registrar and Secretary**

**Deutsche International Trust Corporation (Mauritius) Limited** (DITCML) has been appointed to act as the Administrator, Registrar and Secretary to the Fund.

Deutsche International Trust Corporation (Mauritius) Limited (DITCML) was established in Mauritius as a global business management company in 1995. DITCML holds a Management Licence issued by the Financial Services Commission of Mauritius and is also licensed by The Securities and Exchange Board of India as a Foreign Institutional Investor (FII). DITCML provides services in regard to the incorporation and ongoing administration of companies in Mauritius in the fields of Accounting, Tax Planning, Secretarial, Administrative, Management and Financial reporting for offshore business activities. The team provides a range of services from support services to a full corporate administration service including directorships

#### **5. Auditor**

Ernst & Young of Mauritius are the auditors of the Fund.

### **Section 9: Fees and Expenses**

The following fees and expenses are payable by the Fund out of the assets of each Class. All the fees and expenses of the Fund are charged in US Dollars and wherever applicable, are linked to the US dollar net asset value of the respective class.

**Placement Fees:** The Fund will pay to the placing agents placement fee as per the arrangements agreed between the Fund and the placing agents.

**Investment Management Fees** -The Investment Manager shall be entitled to be paid such amount as investment management fees, as each Investor agrees in writing with the Fund at the time of making investment in the respective share-class of the Fund, as netted off with the distribution fees payable by the Fund to the distributors, wherever applicable. In addition to the above, administration

charges @ 0.10% p.a. on the average assets under management are payable to the Investment Manger

Generally, the Fund offers following options for the Management fees payable by the Investors, although it reserves a right to charge a completely different fees structure for any particular share class, as may be mutually agreed with the investor/s of that share class:

- a. Fixed fee of 2.50% p.a. on the daily average net assets OR
- b. Fixed fee of 1.25% on the daily average net assets plus performance fee of 15% (with higher watermark)
- c. For assets mobilised by distributors, the Fund pays distribution fees as agreed with the respective distributors, which would be deducted from the fees mentioned hereinabove.
- d. The above fee structure is only indicative and not complete. The Fund reserves all rights to charge different fees, whether fixed, performance based or a combination of both, to any Investor or Share Class, at its sole discretion.

The Investment Manager pays the Investment Advisory fees to the Investment Advisor, as per the terms set out in the Investment Advisory agreement.

### **Charge and Recovery:**

The fee is recovered every quarter end. The performance fee is recovered once in a year. For clients subscribing to the Fund, the performance fee will be calculated and recovered in the quarter in which one year of joining is completed. For example, for a client subscribing in November 2007, the first performance fee will be due for recovery in December 2008. The subsequent performance fee will be recovered ( on higher watermark) in December 2009 and so on.

### **Miscellaneous Fees:**

The Fund will also pay certain other costs and expenses incurred in its operation, without limitation, taxes, expenses for legal, fund administration fees, auditing and consulting services, registration fees, custody charges and other expenses due to supervisory authorities in various jurisdictions,

insurance, interest, brokerage costs, the obtaining of authorizations or registrations with the regulatory authorities in certain jurisdictions and all professional and other fees and expenses in connection therewith and the cost of publication of the Net Asset value of the Fund of the shares.

Others:

The fund may charge entry or exit load as per the offer document or term sheet of the product and/or as may be decided time to time by the directors.

## **Section 10: Risk factors and special considerations**

Investment in India carries a high degree of risk. Accordingly, investment in the Fund is only suitable for sophisticated investors who are aware of the risks of investing in India. In particular, potential investors should consider the following risk factors before investing in the Fund.

### **Indian Government, Economic and Political Considerations**

The value of the Fund's assets and the liquidity of the Shares may be adversely affected by uncertainties such as political, economic or social instability, diplomatic developments and changes in laws or regulations. Expropriation, confiscatory taxation, nationalisation or other developments could also adversely affect the assets of the Fund. In addition, it may be difficult to obtain and enforce a judgement in India.

### **Corporate Disclosure, Accounting and Regulatory Standards**

Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD countries, and there may be less publicly available information about Indian companies than is regularly published by or about companies in many OECD countries. At the present time, Indian companies are subject to accounting standards and requirements that differ in significant respects from those applicable to companies in many OECD countries.

### **Securities markets**

The Indian securities markets are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. In addition, there is a low level of regulations and enforcement activity in the Indian securities markets compared to those encountered in the United States, the United Kingdom and similar jurisdictions.

The Indian stock markets have in the past experienced substantial price volatility and no assurance

can be given that such volatility will not occur in the future. A disproportionately large percentage of market capitalisation and trading value in the Indian stock exchanges is represented by a relatively small number of issues.

The Indian stock exchanges have in the past been subject to closure and there can be no certainty that this will not recur. Also significant delays have been common in settling physical trades on the Indian stock exchanges and registering transfers of securities.

The above factors could negatively affect the Net Asset Value, the ability to redeem Shares and the price at which the Shares may be redeemed.

### **Exchange rate risk**

The Fund will invest primarily in securities denominated in Indian rupees but its assets will be denominated in US dollars. Accordingly, a change in the value of the Indian rupee against the US dollar will result in a corresponding change in the value of the Fund's assets. This could, for example, affect the redemption proceeds. Indian rupees are exchangeable by the Fund into US dollars at prevailing market rates. In addition, the ability to exchange Indian rupees into US dollars is dependent upon sufficient currency reserves being available. Accordingly, the value of the Fund's assets and the liquidity of the Shares may be significantly affected by developments in and outside India relating to exchange rates and controls and availability of currency reserves.

### **Mauritian Government and Political Consideration**

The Fund is structured in such a manner that would enable investments in Indian securities to qualify for beneficial treatment under the current tax treaty between India and Mauritius. The Fund's investment income could be adversely affected by certain developments and changes in the treaty or other laws or regulations. .

### **Derivative Risks**

The Portfolio may enter into derivatives transactions, if in the opinion of the Manager, such

transactions will protect the Portfolio's assets against adverse market movements. Derivatives will only be used for hedging purposes and not to speculate.

**Investment in the Shares should be regarded as long term in nature and is only suitable for sophisticated investors who understand the risks involved. Potential investors should be aware that they may not recoup the amount originally invested. The investments in India will also be subject to normal investment risks and, in addition, may be adversely affected by political developments and/or changes in local laws, exchange rates, rates of taxation and exchange controls. Shares are only suitable for investors who can afford to take a long term view. Before subscribing for Shares in any Portfolio, the Directors advise potential investors to consult with their financial advisors as to whether the Shares represent a suitable investment opportunity.**

## **Section 11: Taxation**

### Taxation of the investors

Purchasers of Shares must inform themselves as to any taxation, exchange control or other laws and regulations in force relating to the subscription, purchase, holding and sale of Shares in their country of residence and in the country of which they are citizens which affect them personally.

### **Taxation of the Fund**

#### **In India**

The taxation in India is governed by the Indian Income Tax Act, 1961 ('the IT Act'). The incidence of tax of a person in India depends upon his residential status. While a resident is taxed in India on his global income, a non resident is taxed in India only if there is Indian source income through permanent establishment or business connection in India or the income is accrued in India or received in India (whether accrued in India or otherwise).

The taxation of the Fund in India would be governed by the IT Act read with the provisions of the

India-Mauritius Tax Treaty (the 'Treaty'). As per Section 90(2) of ITA, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Treaty.

On incorporation of Fund in Mauritius and being tax resident in Mauritius, it is assumed for purposes of the following discussion, that the Fund would be entitled to the benefits accorded by the Treaty. The Fund would be subject to tax on income in the nature of dividends, long-term capital gains and short-term capital gains. The taxability of each of these is discussed in the paragraphs below:

#### **A. Taxability when the Treaty benefits are available:**

While the taxation of the income of the Fund arising from its investments in India is minimised under the provisions of the Treaty, no assurance can be given that the terms of the Treaty will not be subject to re-negotiation in the future, and any change could have a material adverse effect on the returns of the Fund. There can be no assurance that the Treaty will continue and will be in full force and effect during the life of the Fund.

a) **Dividends:** Dividends are currently exempt from tax in the hands of all shareholders, irrespective of their residential status. Accordingly, there is no withholding tax applicable on the dividends from an Indian company. However, the Indian investee companies declaring, distributing or paying such dividends are liable to pay dividend distribution tax at the rate of 16.995% (15% income tax + 10% surcharge thereon + 3% education cess) on the amount of dividends distributed, declared or paid.

In light of the above, the Fund will not be liable for tax on dividends received by it from the Indian investee companies.

b) **Capital Gains:** Section 9(1)(i) of the IT Act provides that income accruing or arising, whether directly or indirectly, through the transfer of a capital asset situated in India shall be deemed to accrue or arise in India. Accordingly, the income arising to the Fund from sale of Indian securities would be taxable in India under the IT Act as capital gains.

In terms of the India-Mauritius Tax Treaty, if gains on sale of investments are considered to be Capital Gains, the same should not be liable to tax in India in the hands of the Fund (being a tax

resident of Mauritius) provided that the shares or securities do not form part of the business property of a Permanent Establishment ("PE") of the Fund, if any, in India.

- c) **Securities Transaction Tax ("STT"):** All transactions entered on a recognised stock exchange in India, irrespective of the residential status of the person and characterisation of gains arising from the sale would be subject to an STT levied on the transaction value. The rates applicable are detailed below:

<b>Transaction</b>	<b>Method of settlement</b>	<b>Rate of STT effective from June 1, 2006</b>	<b>Payable by</b>	<b>"Value" on which STT payable</b>
Purchase of an equity share in a company or units of an equity oriented fund	Delivery based	0.125%	Purchaser	Price at which shares / units are purchased
Sale of an equity share in a company or units of an equity oriented fund	Delivery based	0.125%	Seller	Price at which shares / units are sold
Sale of an equity share in a company or units of an equity oriented fund	Non-delivery based	0.025%	Seller	Price at which shares / units are sold
Sale of a derivative	NA	0.017%	Seller	Futures: Price at which futures are traded Options: Aggregate of the 'strike price' and the 'option premium'

- d) **Capital Gains Vs. Business Income:** It would be important to note that in light of some recent judicial precedents, gains arising on disposal of shares or securities could be characterised by the tax authorities as business income and not as capital gains. As per the provisions of the Treaty, if the gains arising on sale of shares or securities are characterised as business income, the same would be taxable in India only if the Fund has a PE in India.

The applicable tax rate in this case would be 42.23% (40% + surcharge of 2.5% + education cess of 3%) on the net income to the extent such income is attributable to the activities of a PE in India. However, in case gains arising from sale of shares or securities are characterised as business income, tax deduction/ rebate from Income Tax payable on the gains is available to the extent of STT paid on the transaction value.

While practically the view of characterising the income of the Fund as capital gains is generally known to have been adopted and accepted by the assessee and Revenue authorities, the possibility of litigation in this regard cannot be ruled out.

## **B. Taxation of the Offshore Fund in the event Treaty benefits are denied**

In the event that the benefits of the Treaty are denied to the Fund, for any reason, the tax implications would be as below:

- (a) **Dividends:** Irrespective of whether the treaty benefits are available to the Fund, there would be no change in the tax implication of dividends set forth above.
- (b) **Capital Gains:** Capital gains arising on sale of listed shares are classified as 'long term capital gains', if these shares are held in an Indian company for a period of more than twelve months; otherwise these gains are classified as 'short term capital gain'.

If the income is treated as capital gains, it would be taxed under the IT Act at the following rates:

Transaction	Rates applicable on long term capital gains	Rates applicable on short term capital gains
Sale of listed equity shares (where the transaction is subject to STT)	Exempt from tax (sec 10(38))	10.56% (10% + surcharge of 2.5% + education cess of 3%) (Sec 111A)

As per Finance Act, 2006, long term capital gains arising on account of sale of equity shares, which has been subject to STT will be included in the definition of “book profits” for the purposes of calculating Minimum Alternate Tax (“MAT”). As per the IT Act, if the tax payable by any company (including a foreign company) is less than 10% of its book profits, it will be required to pay MAT which will be deemed to be 10% (plus surcharge of 2.5% and education cess thereon of 2%) of such book profits.

- (c) **Business Income:** In case the gains arising from sale of shares or securities are characterised as business income, then they shall be taxable at the rate of 42.23% (40% + surcharge of 2.5% + education cess of 3%) on the net income. However, tax deduction / rebate from Income Tax payable on the gains is available to the extent of STT paid on the transaction value.

### **Wealth tax**

**The Fund will not be subject to Indian wealth tax.**

## **Section 12: Selling restrictions**

Potential investors are advised to consult with their professional advisors before determining whether they are eligible to subscribe for or hold Shares.

### **United States**

#### **US Person**

In this document US Person has the meaning assigned to it in Regulation S under the Securities Act, and includes: (a) any natural person resident in the United States; (b) any partnership or corporation organised or incorporated under the laws of the United States; (c) any estate of which any executor or administrator is a US Person; (d) any trust of which any trustee is a US Person; (e) any agency or branch of a non-US entity located in the United States; (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or, if an individual, resident in the United States; or (h) any partnership or corporation if (i) organised or incorporated under the laws of any non-US jurisdiction and (ii) formed by a US Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts. Notwithstanding the foregoing, "US Person" does not include: (a) a discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organised, incorporated, or, if an individual, resident in the United States; (b) any estate of which any professional fiduciary acting as executor or administrator is a US Person if (i) an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with respect to the assets of the estate and (ii) the estate is governed by non-US law; (c) any trust of which any professional fiduciary acting as trustee is a US Person if a trustee who is not a US Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a US Person; (d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; or (e) any agency or branch of a US

Person located outside the United States if (i) the agency or branch operates for valid business reasons and (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

#### US securities laws restrictions

The Shares have not been, nor will they be, registered under the Securities Act, or registered under or qualified under the securities laws of any state or other political subdivision of the United States. Except as specified herein, the Shares may not be offered, sold, transferred, or delivered, directly or indirectly, in the United States or to, or for the benefit of, any US Person. Notwithstanding the foregoing, Shares may be offered and sold by the Fund to US Persons that are institutional "accredited investors" within the meaning of Rule 501(a) under the Securities Act in reliance upon the exemption from the registration requirements of the Securities Act provided in Section 4(2) of the Securities Act, provided that the offers and sales are exempt from registration or qualification under applicable state securities laws.

The Fund has not been, and will not be, registered under the 1940 Act. Based on interpretations of the 1940 Act by the staff of the United States Securities and Exchange Commission, the Fund would be required to register under the 1940 Act if more than 100 beneficial owners of Shares were US Persons, calculated in accordance with Section 3(c)(1) of the 1940 Act. The Fund will not knowingly permit the number of beneficial owners of Shares that are US Persons to be more than 99, as so calculated. In order to avoid the registration requirements of the 1940 Act, the Directors may at any time (a) by notice to a Shareholder request the Shareholder to furnish a declaration as to his residence and whether or not he is a Non-Qualified Person and (b) require a Shareholder that is a Non-Qualified Person to transfer his Shares to a person duly qualified to hold the same or to give a redemption notice in respect of such Shares as provided in paragraph 3(e) under "General Information" below. Any such purchase shall have, as the Board may determine, such retroactive effect as may be required for purposes of compliance with the 1940 Act.

US Persons that acquire Shares (either directly from the Fund or indirectly from other US Persons) will be required to execute a special investor letter. Among other things, this investor letter provides that the Shares may not be offered, sold, transferred, or delivered, directly or indirectly, in the United

States or to, or for the benefit of, US Persons unless:

- (a) such offer, sale, transfer or delivery is duly registered under the Securities Act and any applicable state securities laws or the transferor provides the Fund with an opinion of counsel, satisfactory in form and substance to the Fund to the effect that such offer, sale, transfer or delivery is exempt from the registration requirements of the Securities Act and any applicable state securities laws; and
- (b) the transferee provides the Fund with an opinion of counsel, satisfactory in form and substance to the Fund, to the effect that the transferee will, for purposes of determining whether the Fund may rely on the exemption from the 1940 Act registration under Section 3(c)(1) of the 1940 Act, be counted as not more than one beneficial owner of the Shares.

The Fund has no obligation to register the Shares under the Securities Act or any state securities laws or to assist any investor in effecting any such registration. As a result, US Persons that invest in Shares may have to bear the economic risk of an investment in the Shares for an indefinite period of time. Any certificate or any other document evidencing Shares issued to US Persons will bear a legend stating that the Shares have not been registered or qualified under the Securities Act and any applicable state securities laws and that the Fund is not registered under the 1940 Act and referring to the foregoing restrictions on transfer and sale.

Shares may not be purchased using assets of employee benefit plans subject to Title 1 of ERISA, or retirement plans covering only self-employed individuals and individual retirement accounts or otherwise defined as a "plan" in Section 4975(a) of the Code.

### **Republic of Mauritius and India**

None of the Shares may be offered or sold in Mauritius or India.

### **Section 13: Documents available for inspection**

Copies of the following documents may be inspected or obtained at a reasonable charge during usual business hours on any Business Day at the office of the Administrator.

- the Constitution of the Fund;
- the material contracts referred to above;
- the Certificate of Mauritian tax residence;

### **Section 14: Offerings**

The Fund offers open-ended NAV based investments through its commingled share classes.

I Merge and I Gain are the two open ended NAV based share classes.

The Fund also offers investments through segregated portfolios. Segregated portfolios can be structured around a range of investment concepts such as Growth, Lighthouse Infrastructure, Eagle, Strategic and Shariah.

The detailed explanation of each of these Investment Concepts is given hereunder:

#### **1. Growth**

Portfolio Objective: Growth Portfolio aims to provide medium to long-term, superior absolute returns, seeking growth at value prices, from a diversified portfolio of Indian equities with favorable long-term prospects.

Key Portfolio Characteristics:

- Absolute and exceptional returns rather than marginal or average
- Consistent performance over longer term through research-based Grahamian style value

investing blended with Fisherian style growth

- Maximize the power of compounding with focus on superior portfolio alpha
- Focus on value rather than price, buy not just cheap businesses but growth businesses that are priced cheap
- Measured risk, always avoid permanent risk of capital
- Low portfolio turnover

## 2. Lighthouse Infrastructure

Portfolio Objective: Lighthouse Infrastructure Portfolio seeks to provide long-term superior stable returns by investing in a diversified portfolio of Indian equities in the infrastructure and infrastructure related businesses with favorable long-term prospects

Key Portfolio Characteristics:

- Sustainable and durable growth potential through long-term investment opportunities
- Investments at an early phase of infrastructure growth in India
- Solid, stable returns
- High margin of safety
- Access to a range of businesses

## 3. Eagle

Portfolio Objective: The Eagle Portfolio aims to provide superior, long-term returns by following a contrarian approach to investments in a concentrated portfolio of Indian equities with solid long-term prospects

Key Portfolio Characteristics:

- Contrarian approach
- Concentrated portfolio with adequate diversification
- Superior earnings growth at bargain (value) prices
- Seeking an exceptional margin of safety, by focusing on mis-appraised situations
- Low portfolio turnover

- Longer-term portfolio horizon

#### 4. Strategic

Portfolio Objective: Strategic Portfolio offers a private equity like proposition of constructing a tight, focused, mix of well-researched companies, e.g. - turnaround cases, new product lines, asset plays, undiscovered growth, business restructuring, – with potential to deliver exceptional returns with a reasonable margin of safety

Key Portfolio Characteristics:

- Concentrated portfolio of 5-7 stocks
- Aims to deliver exceptional, absolute returns
- Low correlation to markets, no benchmarking
- Measured risk over the long term
- Low churn, potential tax efficiency
- 3 year lock-in

#### 5. Shariah

Portfolio Objective: To achieve medium to long term capital appreciation through investments in Shariah compliant Indian companies with proven track record

Key Portfolio Characteristics:

- Meaningful exposures to Indian companies that are strictly Shariah compliant
- Attain sector coverage from a concentrated portfolio of about 15-18 stocks
- Choose stocks from across market caps with an eye on relevant opportunity size
- Only listed stocks with a view to ensure liquidity

## **Section 15: How to invest**

### **SUBSCRIPTION NAV / REDEMPTION NAV**

Subscription NAV will be based on receipt of Funds in Deutsche Bank (Mauritius) Limited (Global custodian). For the NAV based offerings (namely I Merge/ I Gain), funds received from Friday to Monday will be processed at Tuesdays NAV; similarly Fund transfers received from Tuesday to Thursday will be processed on Friday NAV.

Repurchase or redemption price is the NAV at which I-Merge / I Gain purchases or redeems its preference shares from the preference share holders. It will include exit load. Redemption requests received from Friday to Monday will be processed at Tuesday NAV, similarly redemption requests received from Tuesday to Thursday will be processed at Friday NAV.

For the customized portfolios / segregated accounts NAV is calculated on daily basis and will be processed on approval of the subscription by Committee of Directors.

Investors should fax / email their signed requests to administrator 'Deutsche International Trust Corporation (Mauritius) Limited'. Please refer the contact details

### **SUBSCRIPTION PROCESS**

#### **a. Documents**

Forms have to be sent to the administrators – 'Deutsche International Trust Corporation (Mauritius) Limited' along with necessary KYC (Know your clients) documentation.

KYC for Individual subscribers:

1. Certified true copy of passport
2. Certified true copy of proof of residential address (e.g. utility bills, etc). The same must not be more than three months old.

(Both have to be certified by Public Attorney or Recognized Bank)

KYC for Corporate subscribers:

1. Certified copy of Certificate of incorporation or registration
2. Original Certificate of Good Standing from Registrar of Companies or any other equivalent body
3. Details of registered office and place of business
4. List of Authorized Signatories
5. Due diligence documents on two Directors and substantial shareholders of the Company
6. Certified copy of the Resolution of Meeting of Board of Directors approving the investments in IEOF

KYC for Trust subscribers:

1. Documents required for the principals of the Trust (Trustee, Beneficiary, Settler, Protector) as above for individuals
2. Certified copy of the trust deed or pertinent extract thereof

3. Certified copy of Certificate of incorporation or registration
4. Details of registered office and place of business of the trustee

KYC for Partnership subscribers:

1. Documents required for the principals, being significant partners, as above for individuals
2. Certified true copy of the partnership deed, if any
3. Certified copy of Certificate of registration
4. Confirmation of the nature of the business of the partnership to ensure that it is legitimate

b. Precautions to be taken by Investors

Ensure that all KYC requirements (certified copy of documents) are fulfilled while sending application form to "Deutsche International Trust Corporation (Mauritius) Limited". An investor must mention clearly his name, address, amount and such other information as required in the application form. They must give their bank account number for the purpose of dividend or repurchase. Any changes in the address, bank account number, etc at a later date should be informed to the fund immediately by filling transaction slips. The investors should also use repurchase form, redemption form, change of address form or nomination form as per their requirements. All the forms are available in the Application Form from the down load section.

c. Communication to investors

An email will be received by investor from 'Deutsche International Trust Corporation (Mauritius) Limited' confirming receipt of funds. On allotment of shares, e-mail will be sent by 'Deutsche International Trust Corporation (Mauritius) Limited' confirming NAV and no of Redeemable Preference shares allotted. The allotment advice will be dispatched to investors in due course. The unique login password will be communicated to the investor investing in segregated account.

## REDEMPTION PROCESS

### a. Process

The investor should fill up the redemption form and fax the redemption request to 'Deutsche International Trust Corporation (Mauritius) Limited'. The redemption requests should be filled with proper details as to amount of redemption, no of shares to be redeemed.

### b. Communication to investors

An email will be received by investor from "Deutsche International Trust Corporation (Mauritius) Limited' confirming receipt of redemption request. On redemption of shares, e-mail will be received confirming NAV and no of shares redeemed. The funds will be transferred to the designated bank account as specified in the application form/or redemption request.

NOTE:1. Third party transfers are not allowed both in case of subscription or redemption  
2. Portfolio disclosure is available on [www.ieof.com](http://www.ieof.com) every Friday and Saturday

## **Subscription Arrangements**

Investors can contact:

1. Deutsche International Trust Corporation (Mauritius) Limited  
Suite 450, 4<sup>th</sup> Floor  
Barkly Wharf East, Le Caudan  
Waterfront, Port Louis, Mauritius

2. Enterprise Investment Managers Limited, Mauritius  
C/o Halifax Management Ltd, 5<sup>th</sup> floor, C&R court  
49 Labourdonnais street  
Port Louis, Mauritius

## **Subscription**

The company would issue redeemable preference shares of US\$ 0.01 nominal value. The minimum subscription would depend on the class of shares to be subscribed for and would be as mentioned in the offer document/ term sheet of the class. The issue price for the initial issue of shares would be at a premium of US \$0.99, i.e., at a price of US\$ 1 per share. Any subsequent issue of shares would be at the Net Asset Value of the class of relevant shares of the Fund on the last Valuation Day.

## **Redemptions**

Shares may be redeemed in the manner and form set out in the Constitution

## **Form of Shares**

The Form of shares shall be in such form and issued in such manner as set out in the Constitution or as prescribed by the Directors from time-to-time.

## **Suspensions**

The Directors are empowered to suspend the calculation of Net Asset Value of shares of a Class and may do so in any of the events set out in the Constitution; Provided that no redemption of any class of shares would be permitted by the Directors where the calculation of the Net Asset Value of that Class is suspended.

## **Publication of Information**

The NAV of the Fund will be published at such intervals as prescribed in the offer document / term sheet of the class of shares and/ or as would be decided by the Board.