

**ADDENDUM NO. 35/2023**

**NOTICE TO THE UNITHOLDERS OF ADITYA BIRLA SUN LIFE INTERNATIONAL EQUITY FUND - PLAN A AND B AND ADITYA BIRLA SUN LIFE COMMODITY EQUITIES FUND - GLOBAL AGRI PLAN**

**NOTICE IS HEREBY GIVEN THAT**, the Board of Directors of Aditya Birla Sun Life AMC Limited ("ABSLAMC"), Investment Manager for Aditya Birla Sun Life Mutual Fund, and Aditya Birla Sun Life Trustee Private Limited ("ABSLTPL"), Trustees to Aditya Birla Sun Life Mutual Fund, have approved the proposal for merger of the following Schemes:

| Sr. No. | Merging Scheme(s)  | Surviving Scheme  |
|---------|--|---|
| 1.      | Aditya Birla Sun Life International Equity Fund - Plan B<br>(An open ended equity scheme following international theme by investing in Global Equities and also Indian Equities) | Aditya Birla Sun Life International Equity Fund - Plan A<br>(An open ended equity scheme following international theme by investing predominantly in Global Equities) |
| 2.      | Aditya Birla Sun Life Commodity Equities Fund - Global Agri Plan<br>(An open ended equity scheme following the global agriculture theme)   |   |

**A. Effective date for Merger:**

The merger shall be effective after the close of business hours on **Friday, July 28, 2023 ("Effective Date")** or the immediately following Business Day, if such day is a Non-Business Day.

**B. Change to Surviving Scheme post-merger:**

**I. Change in name of the Scheme**

On the Effective date, the name of the Surviving Scheme, Aditya Birla International Equity Fund - Plan A will be changed to Aditya Birla Sun Life International Equity Fund. Accordingly, all references to the existing name of the Surviving Scheme wherever appearing in the Scheme Information Document ("SID") and Key Information Memorandum ("KIM") shall be replaced with the revised name as mentioned above.

The investment objective, investment pattern, annual scheme recurring expenses and all other provisions as contained in the SID of Surviving Scheme will remain unchanged post the merger except insertion of provisions with respect to Creation of Segregated Portfolio. Accordingly, interest of unitholders of Surviving Scheme is not adversely affected and no new scheme will come into existence as a result of the aforesaid merger.

**II. Insertion of provisions with respect to Creation of Segregated Portfolio in the SID of the Surviving Scheme**

Segregated portfolio will be created, in case of a credit event at issuer level i.e., downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

- Downgrade of a debt or money market instrument to 'below investment grade, or
- Subsequent downgrades of the said instruments from 'below investment grade, or
- Similar such downgrades of a loan rating.

In case of difference in rating by multiple CRAs, the most conservative rating will be considered. Creation of segregated portfolio will be based on issuer level credit events and as mentioned above implemented at the ISIN level.

Further, segregated portfolio may also be created in case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments. However, such segregation may be done only in case of actual default of either the interest or principal amount by the issuer of such instruments. The Fund shall inform AMFI immediately about the actual default by the issuer. AMFI will disseminate the information about the actual default by the issuer to all AMCs post which the Fund may segregate the portfolio of debt or money market instruments of the said issuer.

**Process of creation of segregated portfolio:**

ABSLAMC will decide on creation of segregated portfolio on the day of credit event and will seek approval of ABSLTPL. Post that ABSLAMC will immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. ABSLAMC will also disclose in the press release that the segregation shall be subject to trustee approval. Additionally, the said press release will be prominently disclosed on the website of the AMC. ABSLAMC will ensure that till the time the trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.

The segregated portfolio shall be effective from the day of credit event, post approval of Trustee.

ABSLAMC will issue a press release immediately post approval of ABSLTPL with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.

An e-mail or SMS will be sent to all unit holders of the concerned Scheme. The NAV of both segregated and main portfolio will be disclosed from the day of the credit event. All existing unit holders in the Scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.

No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, ABSLAMC will enable listing of units of segregated portfolio on recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer request.

If the trustees do not approve the proposal to segregate portfolio, AMC shall issue a press release immediately informing investors of the same.

**Valuation and processing of subscriptions and redemptions**

The valuation will take into 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.

All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV. However, in case of segregated portfolio, applicability of NAV will be as under:

1. 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.
2. Investors subscribing to the Scheme will be allotted units only in the main portfolio based on its NAV.

In case ABSLTPL does not approve the above valuation process, all subscription and redemption applications will be processed based on the NAV of total portfolio.

**Disclosure requirements**

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.

Further, adequate disclosure of the segregated portfolio will also 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. Further, the NAV of the segregated portfolio will be declared on daily basis.

The information regarding number of segregated portfolios created in a scheme shall 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, will be disclosed as a footnote to the scheme performance. These disclosures 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 and 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") for the Segregated Portfolio**

ABSLAMC will not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio. The TER so levied shall 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. The legal charges related to recovery of the investments of the segregated portfolio will be charged to the segregated portfolio in proportion to the amount of recovery. However, the same will be within the maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, will be borne by ABSLAMC. The costs related to segregated portfolio will in no case be charged to the main portfolio.

**Monitoring by Trustees**

In order to ensure timely recovery of investments of the segregated portfolio, Trustees will ensure that, the ABSLAMC puts in sincere efforts to recover the investments of the segregated portfolio. Upon recovery of money, whether partial or full, it will be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio. Further, an Action Taken Report (ATR) on the efforts made by the ABSLAMC to recover the investments of the segregated portfolio will be placed in every Trustee meeting till the investments are fully recovered/ written-off.

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 will ensure that there is a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), 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.

Creation of segregated portfolio will be optional and at the discretion of ABSLAMC.

**Illustration of portfolio segregation**

The below illustration explains the impact of portfolio segregation on account of the credit event on the Scheme and its investors.

| Total Portfolio      | Regular Plan | Direct Plan |
|----------------------|--------------|-------------|
| Net Assets (A)       | 200.00       | 110.00      |
| Units (B)            | 20.000       | 10.000      |
| NAV per unit (A)/(B) | 10.0000      | 11.0000     |

Assuming, the above portfolio has a security with market value of Rs. 20 which has got impacted by a credit event. Based on Trustees approval for segregation of portfolio, total portfolio would be split into main portfolio and segregated portfolio as given below:

| Main Portfolio                               | Regular Plan | Direct Plan |
|--|--------------|-------------|
| Net Assets before Segregation (A)            | 200.00       | 110.00      |
| Value of impacted security (B)               | 12.90        | 7.10        |
| Net Assets after segregation (C) = (A) - (B) | 187.10       | 102.90      |
| Units (D)                                    | 20.000       | 10.000      |
| NAV per unit (C)/(D)                         | 9.3548       | 10.2903     |

| Segregated Portfolio                                       | Regular Plan | Direct Plan |
|--|--------------|-------------|
| Value of impacted security segregated from Total portfolio | 12.90        | 7.10        |
| Haircut @ 25%  | 3.23         | 1.77        |
| Net Assets after Haircut (A)                               | 9.68         | 5.32        |
| Units (B)  | 20.000       | 10.000      |
| NAV per unit (A)/(B)                                       | 0.4839       | 0.5323      |

| Investor Holding                                  | Regular Plan | Direct Plan |
|---|--------------|-------------|
| Net Assets in Total Portfolio                     | 200.00       | 110.00      |
| Net Assets in Main Portfolio                      | 187.10       | 102.90      |
| Net Assets in Segregated Portfolio after Haircut* | 9.68         | 5.32        |

\*Market value of investor holding will come down to the extent of haircut on the impacted security.

**Impact on investors:**

**1. Existing Investors:** 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.

**2. New Investors:** Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.

**3. Exiting Investors:** 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.

**Risks Factors Associated with Creation of Segregated Portfolio:**

Different types of securities in which the scheme would invest carry different levels and types of risk as given in the Scheme Information Document of the scheme. In addition to the same, unitholders are requested to also note the following risks with respect to Segregated Portfolio:

**Liquidity Risk:** A lower level of liquidity affecting an individual security(ies) or an entire market may have an adverse bearing on the value of the Segregated Scheme's assets. This may more importantly affect the ability to sell particular securities with minimal impact cost as and when necessary to meet

requirement of liquidity or to sell securities in response to triggers such as a specific economic/corporate event. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of a few of the investments. This may impact the NAV of the segregated portfolio and could result into potential loss to the Unit holders.

**Credit risk:** The scheme's risk may increase or decrease depending upon its investment pattern. E.g. corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds, which are AA rated, are comparatively riskier than bonds, which are AAA rated. Investment in unrated securities may be riskier compared to investment in rated instruments due to non-availability of third party assessment on the repayment capability of the issuer. As the securities are unrated, an independent opinion of the rating agency on the repayment capability of the issuer will not be available. The issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. This may impact the NAV of the segregated portfolio and resultant loss to the Unit holders.

**Listing of units:** Listing of units of segregated portfolio in recognized 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.

### **C. Exit Option to the Unitholders of the Merging Schemes and Surviving Scheme:**

Pursuant to SEBI Circular No. SEBI/MFD/CIR No. 05/12031/03 dated June 23, 2003 read with SEBI Circular No. Cir/IMD/DF/15/2010 dated October 22, 2010, SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 and SEBI/HO/IMD/DF2/CIR/ P/2021/024 dated March 4, 2021, merger of Aditya Birla Sun Life International Equity Fund – Plan B and Aditya Birla Sun Life Commodity Equities Fund - Global Agri Plan into Aditya Birla Sun Life International Equity Fund - Plan A and introduction of segregated portfolio provisions in the SID of Aditya Birla Sun Life International Equity Fund – Plan A is considered as change in the Fundamental Attributes of the concerned schemes and consequently, as per Regulation 18 (15A) of the SEBI (Mutual Funds) Regulations, 1996 any change in fundamental attributes can be carried out after a written communication is sent to all the unitholders of concerned Schemes, giving them an option to redeem/switch their investments at the prevailing NAV, without payment of any exit load.

Accordingly, the existing unitholders of the Merging Schemes and Surviving Scheme (i.e. whose names appear in the register of unitholders as on close of business hours on Friday, June 23, 2023) are hereby given an option to exit, i.e. either redeem their investments or switch their investments to any other schemes of Aditya Birla Sun Life Mutual Fund ("the Fund") within the exit option period starting from Thursday, June 29, 2023 till Friday, July 28, 2023 (both days inclusive and upto 3.00 pm on Friday, July 28, 2023) at Applicable NAV, without payment of any exit load.

The Exit Option can be exercised during the Exit Option Period by submitting a valid redemption / switch-out request at any Official Point of Acceptance of the Fund. For list of Official Points of Acceptance, please visit our website <https://mutualfund.adityabirlacapital.com>. Unit holders who hold the units in electronic (demat) mode need to submit the redemption request to their Depository Participant.

All the valid applications for redemptions/switch-out received under the Merging Schemes and Surviving Scheme shall be processed at Applicable NAV of the day of receipt of such redemption/switch-out request, without payment of any exit load, provided the same is received during the exit option period mentioned above. The redemption proceeds shall be transferred within 3 (three) working days for Merging Schemes and 5 (five) working days for Surviving Scheme, on receipt of valid redemption request to those unitholders who choose to exercise their exit option.

Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure a release of their pledges / encumbrances prior to the submission of redemption / switch requests.

Unitholders should ensure that their change in address or bank details are updated in records of the Fund as required by them, prior to exercising the exit option for redemption of units. Unit holders holding units in dematerialized form may approach their Depository Participant for such changes. In case units have been frozen / locked pursuant to an order of a government authority or a court, such exit option can be executed only after the freeze / lock order is vacated / revoked within the period specified above.

In case of unit holders under Merging Schemes who had registered for Systematic investment facilities such as Systematic Investment Plan ("SIP")/Systematic Transfer Plan ("STP")/Systematic Withdrawal Plan ("SWP") decide to continue their investments i.e. do not opt for the Exit Option, then such SIP/STP/SWP registrations will continue to be processed under the respective Plan/Option of Surviving Scheme from the Effective Date and no fresh registration will be required.

However, unit holders who do not wish to continue the SIP/SWP/STP (unless the systematic transfer is registered as from and between the Merging Schemes and Surviving Scheme) under the Surviving Scheme, must apply for cancellation of their registrations before the Effective Date.

The units of the Surviving Scheme allotted to the unitholders of the Merging Scheme shall be treated as fresh subscription in the Surviving Scheme. However, the date of allotment at the time of subscription in Merging Schemes shall be considered as the allotment date for the purpose of applicability of the exit load period at the time of redemption of such units in Surviving Scheme.

Unitholders should note that after the Merger, amounts relating to unclaimed redemption and IDCW will be transferred in the name of the Surviving Scheme.

No action is required in case of agreement with the aforesaid merger.

**Kindly note that an offer to exit from the Merging Schemes and Surviving Scheme is merely optional and is not compulsory. If the Unit holder has no objection to the proposed merger, no action is required to be taken and it would be deemed that such Unit holder has consented to the proposed merger.**

### **D. Communication to Unitholders of Merging Schemes & Surviving Scheme:**

Written communication is being sent to all the existing unitholders of Merging Schemes & Surviving Scheme informing the existing Unit holders details about the merger including, basis of allocation of Units into Surviving Scheme, tax implication, financial information and features of the Schemes, etc. In case any existing Unit holder has not received the Letter, they are advised to contact any of the Investor Service Centres (ISCs) of Aditya Birla Sun Life AMC Limited.

### **E. Gist of Tax Implications:**

The Finance Act, 2015 provided tax neutrality on transfer of units of a scheme of a Mutual Fund under the process of consolidation of schemes of Mutual Funds as per SEBI (Mutual Funds) Regulations, 1996.

Section 47 was amended so as to include clause (xviii) which provides that any transfer of unit or units by a unit holder held in the Consolidating Scheme of a mutual fund, will not be treated as transfer, if the transfer is made in consideration of the allotment of unit or units in the Consolidated Scheme of the mutual fund under the process of consolidation of the schemes of mutual fund in accordance with the SEBI (Mutual Funds) Regulations, 1996 and accordingly capital gains will not apply. The consolidation should be of two or more schemes of an equity oriented fund or two or more schemes of a fund other than equity oriented fund.

The Finance Act, 2016 amended Section 47 so as to include clause (xix) which provides that any transfer of unit or units by a unit holder held in the Consolidating Plan of a mutual fund scheme, will not be treated as transfer, if the transfer is made in consideration of the allotment of unit or units in the Consolidated Plan of that mutual fund scheme under the process of consolidation of the plans within a scheme of mutual fund in accordance with the SEBI (Mutual Funds) Regulation, 1996 and accordingly capital gains will not apply. The amendment is effective from April 1, 2017.

As per the amendments, allotment of units in Surviving Scheme/plan, pursuant to merger, to Unit holders of Merging Scheme/plan who decide to continue will not be considered as redemption of Units in Merging Scheme/plan and will not result in short term / long term capital gain / loss in the hands of the unit holders. Further, the cost of acquisition of units allotted in Surviving Scheme/Plan (Consolidated Scheme/Plan) pursuant to merger or consolidation of scheme/plans of a mutual fund will be the cost of acquisition of units in Transferor Scheme/Plan (Consolidating Scheme/Plan) as per the provisions of section 49(2AD) and 49(2AF) of the Act.

However, in case where the unitholder of the Merging Schemes and Surviving Scheme is not in agreement with the proposed merger, the investment held under the Merging Schemes and Surviving Scheme shall be redeemed at applicable NAV and the redemption proceeds shall be transferred to Unitholders of the Merging Schemes and Surviving Scheme and will result in short-term / long-term capital gain / loss in the hands of the Unit holders depending on the period of holding of the investment.

In case of NRI investors, tax shall be deducted in accordance with the applicable Tax laws upon exercise of exit option and the same would be required to be borne by such investor only.

Securities Transaction Tax (STT) w.r.t. units of Merging Scheme, if any, on account of merger would be borne by Aditya Birla Sun Life AMC Limited. Further there would be no STT on allotment of units in Surviving Scheme pursuant to Merger to unit holder who decide to continue.

Aditya Birla Sun Life AMC Limited / Aditya Birla Sun Life Mutual Fund would like the unitholders to remain invested with the Fund. Also, please note that in case unitholders of Surviving Scheme choose to continue with their investments, there shall be no tax implications arising out of the above proposal. However, redemption/ switch during the exit option period will result in short term / long term capital gain / loss in the hands of the Unit Holders.

**In view of individual nature of tax consequences, Unit holders are advised to consult their professional tax advisor w.r.t. tax and other financial implications arising out of their participation in merger of the Schemes.**

**To locate your nearest Investor Service Centre we request you to visit** <https://mutualfund.adityabirlacapital.com>.

The Securities and Exchange Board of India ("SEBI") has vide its communication dated June 8, 2023 noted the proposed merger.

Pursuant to above merger, all references to Merging Schemes stand deleted from SID & KIM of Schemes of Aditya Birla Sun Life Mutual Fund.

The updated SID & KIM of the Surviving Scheme containing the revised provisions shall be made available with our ISCs and also displayed on the website <https://mutualfund.adityabirlacapital.com> immediately after completion of duration of exit option.

All other features and terms & conditions of the Surviving Scheme shall remain unchanged.

This Notice-cum-Addendum forms an integral part of the SID/KIM issued for the Schemes, read with the addenda issued thereunder.

**For Aditya Birla Sun Life AMC Limited**  
(Investment Manager for Aditya Birla Sun Life Mutual Fund)  
Sd/-

**Authorised Signatory**

Date : June 23, 2023  
Place : Mumbai

Unit holders are requested to update their PAN, KYC, email address, mobile number, nominee details with AMC and are also advised to link their PAN with Aadhaar Number. Further, Unit holders can view the Investor Charter available on website of the Fund as well as check for any unclaimed redemptions or Income Distribution cum Capital Withdrawal ('IDCW') payments.