



IIFL Asset Management Limited
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NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (SID) AND KEY INFORMATION MEMORANDUM (KIM) OF DEBT SCHEMES OF IIFL MUTUAL FUND (NO. 29/2021)

Investors are requested to take note of changes that would be made in SID of certain scheme(s) of IIFL Mutual fund (Fund).

Swing pricing framework for open ended debt scheme of the fund

With an aim to safeguard interest of small investor against any large redemptions, SEBI vide its circular SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 introducing provision pertaining to Swing pricing framework for all open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds).

In view of the aforesaid circular, the following provision will be added in separate tab under the name “Swing pricing framework” in section II - Information About the Scheme, in the following scheme of the fund:

IIFL Dynamic Bond Fund (An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively high credit risk – PRC C-III)

Swing pricing framework

SEBI introduced swing pricing framework for open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) through circular SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 (SEBI Circular). The swing pricing is made applicable only for scenario related to net outflows from the scheme. Further the circular mandate full swing during market dislocation times for high risk open ended debt scheme.

Pursuant to the SEBI circular the below swing pricing framework will be adapted during market dislocation times. Currently since the risk of meter of IIFL Dynamic Bond Fund is “Moderate” the Scheme, fund shall adopt only full swing pricing framework during market dislocation times.

Meaning of Swing pricing:

Swing pricing refer to a process of adjusting scheme’s net asset value (NAV) to effectively pass on transaction costs stemming from net capital activity (i.e., flow into or out of the fund) to the investors associates with that activity during the life of the fund, excluding ramp-up period or termination. In a liquidity-challenged environment, quoted bid/ask spreads and overall trading cost can widen and may not be representative of the executed prices that can be achieved in the market.

Swing pricing can be a useful mechanism to contribute to protect the interest of existing investors, specifically from the dilution of their holdings and value of the investor’s capital and thus contribute to



protect the value of the investors capital. Swing pricing mechanism is a tools which can help protect remaining investors during any of the below instances when:

- Any large investors choose to redeem where their actions would have material market impact cost
- More active trading takes place for the scheme or
- Scheme hold liquid asset.

Market Dislocation:

SEBI will determine “market dislocation” either based on AMFI’s recommendation or suo moto. SEBI shall notify once market dislocation is declared that swing pricing will be applicable for a specified period.

Subsequent to the announcement of market dislocation, the swing pricing framework shall be mandate only for open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) in terms of para B of the Annexure to the SEBI circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017, which:

a. has High or Very High risk on the risk-o-meter in terms of SEBI circular SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 5, 2020 (as of the most recent period at the time of declaration of market dislocation) and

b. classifies themselves in the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix in terms of SEBI circular SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 7, 2021.

Swing Threshold:

Swing threshold refers to a pre-determined threshold set in terms of percentage of AUM that trigger the adjustment in the NAV (swinging of the NAV).

During the market dislocation times swing pricing will be adapted when the scheme has net outflow irrespective of any swing threshold. Swing pricing shall be made applicable to all unitholders at PAN level for (redemption and subscriptions) except for redemption up to INR 2 lacs for each mutual fund scheme.

Swing factor:

Swing factor refers to adjustment factor set in terms of percentage by the extent NAV is adjusted / swung. As mandated by the aforementioned circular in case of mandatory swing during market dislocation, if there is net outflow form the scheme then the NAV would be adjusted (swung) downwards by 1%.

Disclosures pertaining to NAV adjusted for swing factor:

The scheme performance shall be computed based on scheme NAV before swing adjustment i.e. the unswung NAV.

Disclosures pertaining to NAV adjusted for swing factor along with the performance impact shall be made by the fund in following format in SIDs and in scheme wise annual reports and Abridged summary and the same may be disclosed on their website prominently only if swing pricing framework has been made applicable for the said mutual fund scheme:

Sr. No.	Period of applicability of swing pricing	Scheme name	Unswung NAV	Swing factor applied	Whether optional or mandatory

Please refer to below illustration to understand the swing pricing framework and impact of the same on investor transactions

I. Illustration of swing pricing during market dislocation for scheme categorized under PRC C - III

Computation of swing NAV – Net outflow from the scheme of Rs. 10 crores

Sr. no.	Particulars	Amount in (Rs)
A	Scheme NAV before swing adjustment	100.0000
B	Swing threshold (% of AUM)	Not applicable during market dislocation
C	Mandatory swing factor	2.00%
D	Adjusted NAV/Swing NAV**	98.0000

*** Adjusted NAV/Swing NAV would be applicable to both Redemption and subscription transactions of the day when the scheme has net outflows*

II. Impact of swing NAV on Redemption transaction in case of net outflow in the scheme where investor had redeemed in amount

Sr. no.	Particulars	Amount in (Rs)
A	Amount Redeemed	20,00,00,000.000
B	Normal NAV	100.0000
C	Unit to be redeemed at normal NAV (A/B)	20,00,000.000
D	Swung NAV	98.0000
E	Unit to be redeemed at swung NAV (A/D)	20,40,816.3265
F	Impact (additional units redeemed on account of swing price)	20,408.1633

Assumed that there is no exit load applicable

III. Impact of swing NAV on Redemption transaction in case of net outflow in the scheme where investor had redeemed in Units

Sr. no.	Particulars	Amount in (Rs)
A	Units Redeemed	20,00,000.00
B	Normal NAV	100.0000
C	Amount to be paid (A x B)	20,00,00,000.000
D	Swung NAV	98.0000
E	Unit to be redeemed at swung NAV (A x D)	196,000,000.00
F	Impact (value of redemption payout reduced to the extent of swing price)	-40,00,000.000

Assumed that there is no exit load applicable

IV. Impact of swing NAV on Subscription transaction in case of net outflow in the scheme



Sr. no.	Particulars	Amount in (Rs)
A	Amount invested #	10,00,00,000.00
B	Normal NAV	100.0000
C	Unit to be allotted at normal NAV (A/B)	10,00,000.000
D	Swung NAV	98.0000
E	Unit to be allotted at swung NAV (A/D)	1,020,408.163
F	Impact (change in unit allotted on account swing price)	10,204.082

Assumed that amount invested mentioned is net of transaction charges and stamp duty

The above changes shall be effective from December 28, 2021.

The above mentioned framework may further be amended and modified on the basis of any circular, amendment or any clarification issued by SEBI and/or AMFI in this regards from time to time. Further the above mentioned change shall override the conflicting provisions, if any and shall form an integral part of the SID of the scheme of the fund, as amended from time to time. All the other provision of SID of the scheme of the fund, except as specifically modified herein above remain unchanged.

IIFL Dynamic Bond Fund

Risk-o-meter:	
This product is suitable for investors who are seeking*	
Income and long term gains	
Investment in a range of debt and money market instruments of various maturities.	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Scheme Riskometer</p> <p>Riskometer</p> <p>Investors understand that their principal will be at Moderate Risk</p> </div> <div style="text-align: center;">  <p>Benchmark Riskometer</p> <p>Riskometer</p> <p>Investors understand that their principal will be at Moderate Risk</p> </div> </div>

*Investors understand that the principal will be at moderate risk

For IIFL Asset Management Limited

Place: Mumbai

Sd/-

Date: December 28, 2021

Authorised Signatory

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