

**Kaleidofin** Private Limited

Kaleidofin Private Limited	
Charter name	Fund Risk Criteria [Applicable to the MF Distributor SBU]
Version	1.0
Date of Board Approval	September 7, 2017
Valid up to	March 31, 2020

## Fund Risk Criteria

### 1 Purpose

The objective of this document is to determine the criteria that will be used by kaleidofin private limited to identify the specific mutual fund schemes that can be recommended to customers as a part of its distribution of mutual funds business. This policy will not be applicable to the Mutual Fund Advisory Business as and when it comes into force. The Mutual Fund Advisory Business is a fully autonomous SBU and will form its own policies.

### 2 Criteria

The criteria used by kaleidofin private limited is based on the Crisil Mutual Fund Ranking Methodology<sup>1</sup>. The following are the key criteria that are used to select the funds recommended to the customers

#### 2.1 Crisil Fund Rank

Kaleidofin will only recommend funds that have Crisil Fund Rank 1 or 2. Crisil Fund rank 1, implies Very good performance in the category and is awarded to the top 10 percentile of the universe. Wherever possible, kaleidofin will primarily restrict its recommendation to Funds that make it to Rank 1. However, Kaleidofin may also recommend Funds that bear rank 2. These funds have demonstrated above average returns in the category [Crisil terms it as good performance]. Rank 1 and Rank 2 Fund represent the top 30 percentiles of the universe.

The Crisil Fund ranking is based on the following

1. Superior Return Score (SRS) or Mean Return and Volatility - SRS is the relative measure of the schemes' returns and risk (volatility) compared with their peer group. Mean return is the average of daily returns based on the scheme's NAV for the period under analysis and volatility is the standard deviation of these returns.
2. Portfolio Concentration Analysis - Concentration measures the risk arising out of improper diversification.
3. Exposure to Sensitive Sector - In case of debt schemes, the industry concentration is analysed for any exposure to sensitive sectors which are arrived based on Industry Risk Score (IRS) for various sectors. CRISIL's assessment of IRS quantifies the credit risk

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<sup>1</sup> [https://crisil.com/pdf/capitalmarket/CRISIL\\_Mutual\\_Fund\\_Ranking\\_Methodology.pdf](https://crisil.com/pdf/capitalmarket/CRISIL_Mutual_Fund_Ranking_Methodology.pdf)

associated with an industry on a uniform scale to ensure comparability across industries.

4. Liquidity Analysis - It measures the ease with which a portfolio can be liquidated. The lower the score, the better it is. In case of equities, it measures the number of days to liquidate the portfolio. Liquidity is calculated by taking the average portfolio liquidity score of the past three months.
5. Asset Quality - Asset quality measures the probability of default by the issuer of a debt security to honour the debt obligation in time.
6. Modified Duration - Modified duration/Average maturity is considered across all debt categories except liquid to capture the interest rate risk of the portfolio. The lower the value, the better it is.
7. Tracking Error - This is used only for index schemes. The tracking error is an estimation of the variability in a scheme's performance vis-a-vis the index that it tracks. The lower the tracking error, the better it is.
8. Historic CRISIL Mutual Fund Ranking

## 2.2 Fund size

The Fund Scheme should have a minimum of INR 5 billion as AUM

## 2.3 Fund House

The fund should be managed by a Fund House that has a vintage of at least 5 years, has total AUM of at least INR 30 billion across all its schemes.

## 2.4 Costs and flexibility

The scheme should have a low cost structure and should offer the most flexibility to the customer in terms of exit and exit loads.

## 3 Review of the Schemes

The schemes offered to the customers will be reviewed across these parameters at least once every quarter on or before May 31, August 31, November 20<sup>th</sup> and February 28<sup>th</sup>.

## 4 Review of the Policy

The Policy may be reviewed by the board at any time. The policy will have to be compulsorily reviewed before March 31, 2020.