

**NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (SID) AND KEY INFORMATION MEMORANDUM (KIM) OF UNION SHORT TERM FUND**

**CHANGE IN FUNDAMENTAL ATTRIBUTES**

According to SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 on 'Categorization and Rationalization of Mutual Fund Schemes', **Union Short Term Fund ("the Scheme")**, an Open-ended Debt Scheme, is categorised as a Short Duration Fund. As per the aforesaid circular, such a scheme is required to invest in debt and money market instruments such that the Macaulay Duration of the portfolio is between 1 year and 3 years. Accordingly, it is proposed that the asset allocation pattern of the Scheme be changed such that the Macaulay Duration of the portfolio is between 1 year and 3 years.

In this context, **NOTICE** is hereby given to the Unit holders of the Scheme, that the Board of Directors of Union Asset Management Company Private Limited ("**the AMC**") and the Board of Directors of Union Trustee Company Private Limited ("**the Trustee Company**"), have approved the following changes which include changes to the fundamental attributes of the Scheme with effect from March 01, 2018 ("**Effective Date**"). Further, it may be noted that SEBI has vide letter no. IMD/DF3/OW/P/2017/32085/1 dated December 18, 2017 granted its no-objection for the following changes

Particulars	Existing features	Proposed features																														
<b>Type of the Scheme</b>	An Open - Ended Debt Scheme	An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. (please refer to page no. __ of the SID on which the concept of Macaulay's Duration has been explained)																														
<b>Asset Allocation of the Scheme ^</b>	<p><b>Under normal circumstances, the asset allocation pattern will be as follows:</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Instruments</th> <th colspan="2">Indicative allocations (% of net assets)</th> <th>Risk Profile</th> </tr> <tr> <th>Maximum</th> <th>Minimum</th> <th>High/Medium/Low</th> </tr> </thead> <tbody> <tr> <td>Money Market and Debt Instruments with residual maturity less than or equal to 3 years (including Government securities, floating rate debt instruments, securitized debt, corporate debt)*</td> <td>100%</td> <td>80%</td> <td>Low to Medium</td> </tr> <tr> <td>Debt Instruments with residual maturity more than 3 years but less than or equal to 5 years (including government securities, securitised debt, floating rate instruments, corporate debt)*</td> <td>20%</td> <td>0%</td> <td>Medium</td> </tr> </tbody> </table> <p>The average maturity of the Scheme will be between 1 to 3 years.  *Investments in securitized debt including Pass Through Certificates (PTCs) not to exceed 25% of the net assets of the Scheme as at the time of purchase.</p>	Instruments	Indicative allocations (% of net assets)		Risk Profile	Maximum	Minimum	High/Medium/Low	Money Market and Debt Instruments with residual maturity less than or equal to 3 years (including Government securities, floating rate debt instruments, securitized debt, corporate debt)*	100%	80%	Low to Medium	Debt Instruments with residual maturity more than 3 years but less than or equal to 5 years (including government securities, securitised debt, floating rate instruments, corporate debt)*	20%	0%	Medium	<p><b>Under normal circumstances, the asset allocation pattern will be as follows:</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Instruments</th> <th colspan="2">Indicative allocations (% of net assets)</th> <th>Risk Profile</th> </tr> <tr> <th>Maximum</th> <th>Minimum</th> <th>High/Medium/Low</th> </tr> </thead> <tbody> <tr> <td>Money Market and Debt Instruments with residual maturity less than or equal to 3 years (including Government securities, floating rate debt instruments, securitized debt, corporate debt)*</td> <td>100%</td> <td>80%</td> <td>Low to Medium</td> </tr> <tr> <td>Debt Instruments with residual maturity more than 3 years but less than or equal to 5 years (including government securities, securitised debt, floating rate instruments, corporate debt)*</td> <td>20%</td> <td>0%</td> <td>Medium</td> </tr> </tbody> </table> <p>The Macaulay Duration of the portfolio will be between 1 year to 3 years (please refer to page no. __ of the SID on which the concept of Macaulay's Duration has been explained).  *Investments in securitized debt including Pass Through Certificates (PTCs) not to exceed 25% of the net assets of the Scheme as at the time of purchase.</p>	Instruments	Indicative allocations (% of net assets)		Risk Profile	Maximum	Minimum	High/Medium/Low	Money Market and Debt Instruments with residual maturity less than or equal to 3 years (including Government securities, floating rate debt instruments, securitized debt, corporate debt)*	100%	80%	Low to Medium	Debt Instruments with residual maturity more than 3 years but less than or equal to 5 years (including government securities, securitised debt, floating rate instruments, corporate debt)*	20%	0%	Medium
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<b>Investment Strategies ^</b>	<p>To achieve the investment objective of the Scheme, investments will be made in an appropriate mix of high quality money market, debt and Government securities. The fund will predominantly invest in securities with short term maturities for lesser volatility and a limited exposure to medium term securities with a view to enhance returns by increasing mark to market component. The AMC will be guided by fundamental research and analysis, ratings assigned by domestic credit rating agencies, macroeconomic factors. In addition, the investment team of the AMC will carry out an internal in-depth credit evaluation of securities proposed to be invested in. The credit evaluation will essentially be a bottom up approach and include financial statement analysis, a study of the operating environment of the issuer, the past track record as well as the future prospects of the issuer and the short term / long term financial health of the issuer, prospects of the industry.</p> <p>The investment team of the AMC will continuously monitor and review the macroeconomic environment including the political and economic factors, money supply in the system, Government borrowing programme and demand and supply of debt instruments, credit pick up among others, affecting the liquidity and interest rates.</p>	<p>To achieve the investment objective of the Scheme, investments will be made in an appropriate mix of high quality money market, debt and Government securities. The fund will predominantly invest in securities with short term maturities for lesser volatility and a limited exposure to medium term securities with a view to enhance returns by increasing mark to market component. The AMC will be guided by fundamental research and analysis, ratings assigned by domestic credit rating agencies, macroeconomic factors. In addition, the investment team of the AMC will carry out an internal in-depth credit evaluation of securities proposed to be invested in. The credit evaluation will essentially be a bottom up approach and include financial statement analysis, a study of the operating environment of the issuer, the past track record as well as the future prospects of the issuer and the short term / long term financial health of the issuer, prospects of the industry.</p> <p>The investment team of the AMC will continuously monitor and review the macroeconomic environment including the political and economic factors, money supply in the system, Government borrowing programme and demand and supply of debt instruments, credit pick up among others, affecting the liquidity and interest rates.</p> <p>Macaulay duration# of the portfolio will be between 1 year and 3 years.  #The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Macaulay duration can be calculated as follows:</p> $\text{Macaulay Duration} = \frac{\sum_{t=1}^n \frac{t \cdot C}{(1+y)^t} + \frac{n \cdot M}{(1+y)^n}}{\text{Current Bond Price}}$ <p>Where:</p> <ul style="list-style-type: none"> <li>t = respective time period</li> <li>C = periodic coupon payment</li> <li>y = periodic yield</li> <li>n = total number of periods</li> <li>M = maturity value</li> <li>Current Bond Price = Present value of cash flows</li> </ul> <p>The Macaulay duration can be viewed as the economic balance point of a group of cash flows. Another way to interpret the statistic is that it is the weighted average number of years an investor must maintain a position in the bond until the present value of the bond's cash flows equals the amount paid for the bond.</p>																														
<b>Portfolio Turnover ^</b>	<p>The Scheme being an open-ended debt Scheme, it is expected that there would be a number of subscriptions and redemptions on a daily basis. Also the average maturity of the Scheme being short to medium, the portfolio turnover ratio may be moderate. Further, in the debt market, trading opportunities may arise due to changes in system liquidity, interest rate policy announced by RBI, shifts in the yield curve, credit rating changes or any other factors. In the opinion of the fund manager these opportunities can be played out to enhance the total return of the portfolio, which will result in increase in portfolio turnover. There may be an increase in transaction cost such as brokerage paid, if trading is done frequently. However, the cost would be negligible as compared to the total expenses of the Scheme. Frequent trading may increase the profits which will offset the increase in costs. The fund manager will endeavour to optimize portfolio turnover to maximize gains and minimize risks keeping in mind the cost associated with it. However, it is difficult to estimate with reasonable measure of accuracy, the likely turnover in the portfolio of the Scheme. The Scheme has no specific target relating to portfolio turnover.</p>	<p>The Scheme being an open-ended debt Scheme, it is expected that there would be a number of subscriptions and redemptions on a daily basis. Also the Macaulay Duration of the portfolio is between 1 year and 3 years. (please refer to page no. __ of the SID on which the concept of Macaulay's Duration has been explained), the portfolio turnover ratio may be moderate. Further, in the debt market, trading opportunities may arise due to changes in system liquidity, interest rate policy announced by RBI, shifts in the yield curve, credit rating changes or any other factors. In the opinion of the fund manager these opportunities can be played out to enhance the total return of the portfolio, which will result in increase in portfolio turnover. There may be an increase in transaction cost such as brokerage paid, if trading is done frequently. However, the cost would be negligible as compared to the total expenses of the Scheme. Frequent trading may increase the profits which will offset the increase in costs. The fund manager will endeavour to optimize portfolio turnover to maximize gains and minimize risks keeping in mind the cost associated with it. However, it is difficult to estimate with reasonable measure of accuracy, the likely turnover in the portfolio of the Scheme. The Scheme has no specific target relating to portfolio turnover.</p>																														

^ All other terms and conditions under these sections in the existing SID of the Scheme which are not mentioned herein will remain unchanged.

The proposed changes include changes such as change in investment pattern of the Scheme, which is in the nature of change in the fundamental attributes of the Scheme as referred to in Regulation 18 (15A) of the SEBI (Mutual Funds) Regulations, 1996.

Regulation 18 (15A) of the SEBI (Mutual Funds) Regulations, 1996 states that the Trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affect the interest of unitholders be carried out unless a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation and in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and the unitholders are given an option to exit at the prevailing Net Asset Value (NAV) without any exit load.

**Union Mutual Fund (formerly Union KBC Mutual Fund)  
Union Asset Management Company Private Limited  
(formerly Union KBC Asset Management Company Private Limited)  
Investment Manager for Union Mutual Fund**

**Corporate Identity Number (CIN):** U65923MH2009PTC198201

**Registered Office:** Unit 503, 5<sup>th</sup> Floor, Leela Business Park,  
Andheri Kurla Road, Andheri (East), Mumbai - 400059

• Toll Free No. 18002002268; • Non Toll Free. 022-67483333; • Fax No: 022-67483401;  
• Website: www.unionmf.com; • Email: investorcare@unionmf.com



**Contd...**

Accordingly, Unit holders of the Scheme are requested to take note of the aforesaid proposed changes, and are hereby given an option to exit the investments made by them in the Scheme at the prevailing NAV without exit load, as per the process stated herein below, if they do not wish to stay invested in the Scheme pursuant to the above proposed changes.

The exit option will be available to all the Unit holders of the Scheme\*\* as per the records of the Registrar as at the close of business hours on January 23, 2018. **The option to exit without exit load ("Exit Option") can be exercised from January 30, 2018 to February 28, 2018 (up to 3 p.m.) (both days inclusive) ("Exit Option Period")**. All redemption requests received after 3 p.m. on February 28, 2018, will be subject to load as per the provisions of the SID of the Scheme. The provisions in relation to prevailing NAV and cut-off timings for redemptions in the SID of the Scheme would be applicable to redemption requests received during the Exit Option Period. The redemption proceeds shall be dispatched to the Unit holders within 10 working days from the date of redemption.

**The offer to exit is merely an option and is not mandatory. If you have no objection to the proposed change in the fundamental attributes of the Scheme as stated above, no action needs to be taken by you.**

Please note that Unit holders who do not opt for redemption on or before February 28, 2018 (up to 3 p.m.) shall be deemed to have consented to the aforesaid changes and shall continue to hold units in the Scheme. In case the Unit holders disagree with the aforesaid changes, they may redeem the units in the Scheme by exercising the Exit Option within the Exit Option Period.

**\*\*It may be noted that the Exit Option is not available** to investors whose units have been **pledged**, and Union Mutual Fund has been instructed to mark a lien on such units unless the release of the pledge/lien is obtained and appropriately communicated to the AMC/Registrar/Union Mutual Fund prior to submission of redemption requests.

**The existing unit holders of the Scheme are requested to note the following terms with regards to the aforesaid proposed changes:**

- **Investors who want to continue holding units in the Scheme:** No action needs to be taken in this regard.
- **Investors who wish to exit/redeem their investments from the Scheme:** To redeem, Unit holders may submit the Transaction Form [along with other requisite details as may be specified in the SID/Statement of Additional Information (SAI)] on any business day during the Exit Option Period to any of the Official Points of Acceptance of Union Mutual Fund. The forms are available on our website www.unionmf.com and also at any of the Official Points of Acceptance of Union Mutual Fund. For the procedure for change / update of bank details and change of address please refer to SID and SAI. **Unitholders who hold units of the Scheme in dematerialised form and wish to exit can submit the redemption request with his / her /its Depository Participant during the Exit Option Period.**
- **Unitholders who have pledged or encumbered their units under a lien:** Unitholders will not have the option to exit unless they procure an effective release of their lien/pledge/encumbrances prior to the submission of redemption/switch-out requests. Further, those unitholders who do not opt to exit during the exit option period may note that the lien/pledge/encumbrance will continue on their units on the same terms.
- **Special products features / facilities:** Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP) etc. registered under the Scheme will remain applicable and continue as per the terms therein. However, if you intend to change /discontinue any of the above facilities kindly submit the request in the manner prescribed in the SID/SAI to the nearest Official Points of Acceptance of Union Mutual Fund prior to the Effective Date.

Unit holders are requested to ensure that any change in address or bank mandate is updated in Union Mutual Fund's records before exercising the Exit Option (Unit holders holding units in dematerialized form may approach their Depository Participant for such changes).

It may be further noted that all redemptions would be subject to the applicable tax laws. **In view of the individual nature of tax consequences, Unit holders are advised to consult their professional tax advisors in the above regard.**

A separate communication in this regard would be sent to the registered address of the Unit holders of the Scheme as on January 23, 2018. In case, the communication is not received, the Unit holders of the Scheme can contact the Investor Service Centers of the AMC/Registrar/Union Mutual Fund as per details provided on the website www.unionmf.com.

In case you need any further clarifications, please contact our Customer Service Centers/ Investor Service Centers.

It may be noted that necessary/ incidental changes in this regard shall be made in the SID and KIM of the Scheme.

The SID and KIM of the Scheme will stand suitably modified to the extent mentioned above from the Effective Date. This addendum forms an integral part of the SID and KIM of the Scheme. All other terms and conditions as mentioned in the SID and KIM of the Scheme shall remain unchanged.

**For Union Asset Management Company Private Limited  
(Investment Manager for Union Mutual Fund)**

Place: Mumbai

Date: January 23, 2018

Sd/-

**Authorised Signatory**

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

**Statutory Details: Constitution:** Union Mutual Fund has been set up as a Trust under the Indian Trusts Act, 1882; **Sponsor:** Union Bank of India; **Trustee:** Union Trustee Company Private Limited (formerly Union KBC Trustee Company Private Limited) [Corporate Identity Number (CIN): U65923MH2009PTC198198], a company incorporated under the Companies Act, 1956 with a limited liability; **Investment Manager:** Union Asset Management Company Private Limited [Corporate Identity Number (CIN): U65923MH2009PTC198201], a company incorporated under the Companies Act, 1956 with a limited liability.

Copy of all Scheme Related Documents can be obtained from any of our AMC offices/ Customer Service Centres/ distributors as well as from our website www.unionmf.com.