

# LAM ZyFin Global Markets UCITS ETF plc

## LAM Sun Global ZyFin India Sovereign Enterprise Bond UCITS ETF

**4 November 2015**

(A sub-fund of LAM ZyFin Global Markets UCITS ETF plc, An investment company with variable capital constituted as an umbrella fund with segregated liability between sub-funds under the laws of Ireland and authorised by the Central Bank pursuant to the UCITS Regulations).

This Supplement (the “Supplement”) forms part of the Prospectus dated 2 October 2015 (the “Prospectus”) in relation to LAM ZyFin Global Markets UCITS ETF plc (the “Company”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the LAM Sun Global ZyFin India Sovereign Enterprise Bond UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the Company, represented by the LAM Sun Global ZyFin India Sovereign Enterprise Bond UCITS ETF series of shares in the Company (the “Shares”).

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.

The Company and the Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Company and the Directors accept responsibility accordingly.

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

<b>Base Currency</b>	US Dollar
<b>Calculation Day</b>	One Business Day (D+1 day) following each Dealing Day
<b>Dealing Deadline</b>	For subscriptions and redemptions, 12:00 Noon (Irish time) on each Dealing Day
<b>Dealing Day</b>	Monday and Wednesday of each week, provided that such day is also a Business Day
<b>Index</b>	ZyFin India Sovereign Owned Enterprise Bond Index
<b>Index Provider</b>	ZyFin Research Private Limited
<b>ISIN</b>	IE00BYZ5HD97
<b>Listing Stock Exchange</b>	It is currently intended to apply for the Shares to be admitted to trading on the Deutsche Börse and the London Stock Exchange. The Directors may determine in their discretion to seek admission to trading for the Shares on any other exchange and will notify investors accordingly.
<b>Minimum Initial Subscription Amount</b>	USD 4,800,000 and multiples thereof
<b>Minimum Subsequent Subscription Amount</b>	USD 4,800,000 (or the aggregate number of Shares equivalent in value) and multiples thereof, or such other amount as may be determined by the Directors from time to time and notified to Shareholders
<b>Minimum Redemption Amount</b>	USD 4,800,000 (or the aggregate number of Shares equivalent in value) and multiples thereof, or such other amount date as may be determined by the Directors from time to time and notified to Shareholders
<b>Offer Period</b>	From 9 am (Irish time) on 5 October 2015 to 3 pm (Irish time) on 4 December 2015, or such earlier or later date as the Directors may determine
<b>Settlement Deadline</b>	For subscriptions, appropriate cleared subscription monies must be received by 12:00 Noon (Irish time) on the Dealing Day, or such later date as may be determined by the Directors and notified to Shareholders from time to time
<b>Valuation Point</b>	1:00 pm (Irish time) on each Business Day (including a Dealing Day)
<b>Distribution Policy</b>	Accumulating

## INVESTMENT OBJECTIVE AND STRATEGY

**Investment Objective.** The objective of the Sub-Fund is to provide an exposure to high quality fixed income securities issued by Indian Sovereign Owned Enterprises (hereinafter referred to as “SOEs” or “Sovereign Enterprises”). SOEs are Indian companies or enterprises which are owned 51% or more by the Government of India and include banks, non-banking financial institutions and corporations.

**Investment Policy.** The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus) as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund’s performance and that of the Index. The Directors will change the name of a Sub-Fund if its Index is changed. Any change to the name of a Sub-Fund will be approved in advance by the Central Bank and the relevant documentation will be updated. Any determination by the Directors that the Sub-Fund should track another index at any time shall be subject to the provision of reasonable notice to Shareholders to enable any Shareholders who wish to do so to redeem their Shares prior to implementation of this change and the Supplement will be updated accordingly.

The Index is comprised of 6 securities issued by SOEs which are selected from a universe of all securities issued by SOEs which have a residual maturity of between 4 years to 20 years and have been assigned the highest credit rating in their respective category by a Recognised Rating Agency. Index Securities are issued with fixed-rates and are issued, and the Index is calculated, in Indian Rupees (“IRP”). On each rebalancing date, the Index Securities are selected from the universe of eligible bonds, based on the highest aggregate traded values over the previous calendar month, provided that no more than one security from an issuer may be included in the Index at any one time. The Index rebalances on a quarterly basis and is re-weighted equally on each rebalancing date. The Index will also rebalance in the event that any one component approaches representing 20% of the Index and the components will also be re-weighted equally on such rebalancing. Further details on the Index, including its components and performance, are available at <http://research.zyfin.com/CapitalMarket>. Investors should note that, since the Sub-Fund and the underlying index do not hedge their currency risk, any depreciation in the value of IRP against USD will negatively impact the returns of the Sub-Fund in USD. The index will contain constituents that represent more than 10% of the Index. Accordingly, in order for the Sub-Fund to track the Index accurately, it will make use of the increased diversification limits available under the UCITS Regulations, which permit it to hold positions in individual constituents of the Index to of up to 20%.

In order to seek to achieve the Sub-Fund’s investment objective, the Investment Manager will aim to replicate the Index by holding all of the Index Securities in a similar proportion to their weighting in the Index. However, where full replication of the Index is not reasonably possible (for example as a result of the illiquidity or availability of certain Index Securities), in order to minimize the tracking error, the Sub-Fund may, in the first instance, purchase securities that the Investment Manager considers to be closely equivalent to the relevant Index Securities, in terms of maturity, yield, liquidity, credit quality and risk/reward profile in order to build a representative portfolio that provides a return that is comparable to that of the Index. However, in the event that the Investment Manager cannot identify or acquire such equivalent securities in respect of Index Securities, the Investment Manager may buy what it considers to be otherwise equivalent securities which are issued in USD or invest in structured notes (which do not embed derivatives or leverage), credit linked notes (which do not embed derivatives or leverage), total return swaps to provide the Sub-Fund with exposure to the performance of the relevant Index Securities. Structured notes, credit linked notes and total return swaps and their use for this purpose are described under “*Use of Financial Derivative Instruments*” in the “*Investment Objectives and Policies*” section of the Prospectus. Further information on the Sub-Fund’s replication methodology can be found under “*Index Tracking Sub-Funds*” in the “*Investment Objectives and Policies*” section of the Prospectus.

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets in India or globally in accordance with the limits set out in the UCITS Regulations. The Sub-Fund may hold ancillary liquid assets (deposits, commercial paper and short term commercial paper) in accordance with the UCITS Regulations and all investments will be made in accordance with local investment restrictions.

The Sub-Fund will use the replication strategy described above in order to seek to track as closely as possible the returns of the Index after deduction of Fees and Expenses. For information in relation to the difficulties associated with tracking indices, please refer to “*Index Tracking Risk*” in the “*Risk Information*” section of the Prospectus. It is currently anticipated that the Sub-Fund will track the Index with a potential variation of up to 5% annually under normal market conditions.

## INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. **As the Sub-Fund has material exposure to emerging markets, an investment in the Sub-Fund should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.**

While the Sub-Fund will be leveraged as a result of its use of FDIs, such leverage will not exceed 100% of the Sub-Fund’s Net Asset Value. For information in relation to risks associated with the use of financial derivative instruments, please refer to “*Derivatives Risk*” in the “*Risk Information*” section of the Prospectus.

**Concentration Risk.** The Sub-Fund will invest substantially all of its assets in issuers located in India, with the result that the Sub-Fund’s performance will be closely tied to the market, currency, economic, political, or regulatory conditions and developments in India and could be more volatile than the performance of more geographically-diversified funds. Further, investors may buy or sell substantial amounts of the Sub-Fund’s shares in response to factors affecting or expected to affect India, resulting in abnormal inflows or outflows of cash into or out of the Sub-Fund. These abnormal inflows or outflows may cause the Sub-Fund’s cash position or cash requirements to exceed normal levels and consequently, adversely affect the management of the Sub-Fund and the Sub-Fund’s performance. The Sub-Fund’s liquidity may also be affected by such concentration of investment.

**Emerging Markets Risk.** Investment in emerging markets such as India may subject the Sub-Fund to a greater risk of loss than investment in developed markets. This is due to, among other things:

- greater market volatility;
- lower trading volume and liquidity issues;
- limited securities markets;
- restrictions on purchases of securities by foreign investors;
- the imposition of currency or capital controls or the expropriation or nationalisation of assets
- political, social and economic instability;
- economic dependence on a few industries or on international trade or revenue from particular commodities;
- high levels of inflation, deflation or currency devaluation;
- regulatory, financial reporting, accounting and disclosure standards that may be less stringent than those of developed markets;
- settlement and custodial systems that are not as well-developed as those in developed markets that may cause delays in settlement and possible “failed settlements”;

- potential difficulty, expense or delay in enforcing legal rights, particularly against governments;
- precarious financial stability of issuers (including governments);
- uncertainty and unexpected variations in the application of tax rules;
- greater risk of market shut down; and
- more governmental limitations on foreign investment policy than those typically found in a developed market.

The foregoing factors may cause the Sub-Fund's investments to be more volatile than if the Sub-Fund invested in more developed markets and may cause the Sub-Fund to realise losses. This risk of increased volatility and losses may be magnified by currency fluctuations relative to the Base Currency.

**Unhedged Exposure Risk.** The assets of the Sub-Fund will generally be invested in securities denominated in IRP and any income or capital received by the Sub-Fund from these investments will, likewise, be received in IRP. As Shares in the Sub-Fund are denominated in US Dollars (USD), changes in currency exchange rates between the IRP and USD may affect the value of the Shares. As the currency exchange rates of emerging market countries, such as India, tend to be more volatile than those of more developed economies, the effect of changes in exchange rates on the value of Shares in the Sub-Fund may be more pronounced than it would be for funds which invest in more developed markets.

Furthermore, the Sub-Fund will accept subscriptions and pay distributions and redemption proceeds, in USD, while it invests in IRP and will therefore incur costs in connection with conversions between these currencies. Currency exchange dealers realise a profit based on the difference between the prices at which they buy and sell various currencies. Thus, a dealer normally will offer to sell currency to the Company at one rate, while offering a lesser rate of exchange should the Company wish immediately to resell that currency to the dealer. Due to the relatively high volatility of IRP, the spread between a dealer's sell and offer prices for IRP may be greater than that for the currencies of more developed economies, which may result in relatively high currency exchange costs for the Sub-Fund. The Company will conduct its currency exchange transactions on a spot (i.e. cash) basis at the spot rate prevailing in the currency exchange market. It is anticipated that most of the Sub-Fund's currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Sub-Fund.

## **INVESTOR PROFILE**

The Sub-Fund may be for investors who are seeking capital appreciation and/or income over a medium to long term timeframe and are prepared to accept risk to their capital and higher levels of volatility in the value of their investments.

## **SUBSCRIPTIONS**

Shares, denominated in US Dollars, are available in the Sub-Fund. Investors should note that Shares may only be purchased in multiples of the Minimum Initial Subscription price.

Shares will be available during the Offer Period at an Initial Offer Price of US\$ 10 per Share.

Following the Closing Date, Shares will be issued in respect of each Dealing Day at the Net Asset Value per Share calculated on the applicable Calculation Day, with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Authorised Participants may subscribe for Shares for cash on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the "*Purchase and Sale Information*" section of the Prospectus. Consideration, in the form of cleared subscription monies, must be received by the applicable Settlement Deadline.

## Prefunding

India is a prefunding market, which means that Indian securities can only be purchased on a pre-funded basis. Accordingly, each Authorised Participant submitting an application to subscribe for Shares in the Sub-Fund is required to deliver upfront a subscription amount (the “**Prefunding Amount**”) by the Settlement Deadline to cover the purchase by the Sub-Fund of underlying Indian securities in connection with the subscription order, for the Authorised Participant’s subscription application to be valid.

The Prefunding Amount will be based on an estimated Net Asset Value per Share, using Duties and Charges which are estimated by the Investment Manager and Investment Adviser, based on their knowledge and experience of the relevant markets and securities and provided to the Administrator. The final Net Asset Value per Share can be confirmed only once all the underlying Indian securities required to be purchased in connection with the subscription have been acquired by the Sub-Fund. The Prefunding Amount must be subsequently converted to IRP for investment purposes. Details on the estimated Duties and Charges and the Prefunding Amount may be obtained from the Administrator.

Where any Prefunding Amount paid by an Authorised Participant is subsequently determined to have been in excess of the final Net Asset Value per Share (including final Duties and Charges) for the relevant Shares on the Dealing Day by reference to which the subscription was effected, the excess cash amount will be held in custody on a temporary basis and will be reimbursed to the relevant Authorised Participant as soon as practicable, net of any foreign exchange transaction costs and any other related costs. The relevant Authorised Participant shall remain an unsecured creditor of the Sub-Fund in respect of the amount to be reimbursed (“**Reimbursement Amount**”) until such time as the amount is paid to it. Authorised Participants should note that no interest will accrue on the relevant Reimbursement Amount and interest shall therefore not be payable by the Sub-Fund to the relevant Authorised Participant in respect of any such amount.

The foreign exchange transaction costs associated with conversions made in relation to subscriptions and redemptions and the risk of a potential difference between USD and IRP rates will be borne by the relevant Authorised Participant and included in the final Duties and Charges which are applied to the relevant subscription or redemption amounts paid or received (respectively) by such Authorised Participant.

In the event that the Prefunding Amount is insufficient to purchase all the underlying securities required to be purchased in connection with the subscription, the Sub-Fund will not be able to acquire all the requisite underlying securities and will need to carry out one or more further purchases on subsequent day(s). Similarly, if restrictions under Indian laws, regulations and/or stock exchange rules, or the suspension of trading of particular Indian securities restrict the Sub-Fund from acquiring all the requisite underlying securities, the Sub-Fund may also need to carry out one or more further purchases on subsequent day(s). The market risk arising from the timing of the placement of further underlying trades and any delay in trading will be borne by the Authorised Participants. In the event of any funding shortfall, the Authorised Participant will be required to deliver additional sums to make up any funding shortfall to enable further purchases to be made until all the requisite underlying Indian securities have been acquired for the Sub-Fund and such additional sums will be required to be delivered to the Company by such reasonable timeframe as shall be notified to the Authorised Participant at the time of any such shortfall occurring but which shall in any event not be less than two Business Days and not more than five Business Days. In order to reduce the risk of an Authorised Participant having to pay a funding shortfall and to protect the Sub-Fund and its Shareholders, a buffer to cover expected market and foreign exchange volatility will be added to estimated Duties and Charges in the Prefunding Amount and any additional sums payable by the Authorised Participant to cover a funding shortfall. In circumstances where additional sums are payable by an Authorised Participant to cover a funding shortfall after the Authorised Participant has received Shares which it subscribed for in the Sub-Fund, the Sub-Fund will have a credit exposure as an unsecured creditor in respect of such additional sums.

In the event that an Authorised Participant fails to deliver the Prefunding Amount in full by the Settlement Deadline, the subscription application shall not be valid and the Directors and/or the Investment Manager reserve the right (but shall not be obliged) to reject or cancel the relevant subscription application. In the event that a subscription application is not accepted, any subscription amount already paid by the Authorised Participant to the Sub-Fund will be returned to the Authorised Participant (without any interest and less any foreign exchange transaction cost and other transaction costs incurred).

## **REDEMPTIONS**

Shareholders may effect a redemption of Shares on any Dealing Day at the NAV of the applicable Calculation Day, subject to an appropriate provision for Duties and Charges, provided that a written redemption request is signed by the Shareholder and received by the Administrator by the Dealing Deadline, in accordance with the provisions set out in this section and at the "*Purchase and Sale Information*" section of the Prospectus. Settlement will normally take place within Six Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

Shareholders should note that: (i) any redemption request which would result in a Shareholder holding Shares with a value of less than the Minimum Redemption Amount; and (ii) any redemption request submitted by a Shareholder which holds Shares with a value of less than the Minimum Redemption Amount may, at the discretion of the Directors, be treated as a request to redeem all of that Shareholder's Shares.

## **FEES AND EXPENSES**

The TER for the Sub-Fund will be up to 2.50% per annum of the Net Asset Value.

Further information in this respect is set out in the "*Fees and Expenses*" section of the Prospectus.

## **LISTING**

It is planned to apply for Shares to be admitted to (i) the London Stock Exchange; and (ii) the Deutsche Börse shortly after the establishment of the Sub-Fund, and thereafter, on any other stock exchange as may be decided by the Directors.

## **TAXATION IN INDIA**

### **General**

The discussion on Indian tax matters contained herein is based on existing law, including the provisions of the Indian Income Tax Act, 1961 ("**ITA**") and the provisions of the Double Tax Avoidance Agreement between India and Ireland. ITA is amended every year by the Indian Finance Act of the relevant year, and this summary reflects changes through the date hereof. No assurance can be given that future legislation, administrative rulings or court decisions will not significantly modify the conclusions set forth in this summary, possibly with retroactive effect. Additionally, the discussion of Indian tax matters contained herein does not address the tax consequences to investors arising from the acquisition, holding or disposition of interests in their respective local jurisdictions.

### **Taxability of Income under the ITA**

The ITA codifies the law relating to taxes on income in India. The ITA provides for taxation of persons resident in India on their global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arising in India.

The Company is proposing to invest in Indian fixed income securities in respect of the Sub-Fund and is set-up as a PLC in Ireland. In this regard, the Company is proposing to register the Sub-Fund as a Foreign Portfolio Investor (“FPI”) with the Designated Depository Participant (“DDP”) (i.e. local custodian bank in India).

For Indian income-tax purposes, the Sub-Fund is likely to be assessed to tax as a ‘Corporate’ tax payer. The income-tax implications with respect to the income earned by the Fund are detailed below.

Residency in India

Residents of India are subject to taxation in India on their worldwide income.

As per the amendment made by the Finance Act, 2015, a company is said to be tax resident in India in any year, if its “place of effective management” (“POEM”) in that year, is in India. Further, the term POEM means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made. Presuming that the POEM of the Sub-Fund is outside India, the Sub-Fund should be regarded as a non-resident in India.

Accrual / Receipt of Income

Since the Sub-Fund would be regarded as non-resident in India, it will be subject to taxation in India if (a) receives or is deemed to receive income in India, (b) the income accrues or arises in India or (c) the income is deemed to accrue or arise in India. Income is deemed to accrue or arise in India if it accrues or arises, whether directly or indirectly (i) through or from any “business connection” in India, (ii) through or from any property in India, (iii) through or from any asset or source of income in India or (iv) through the transfer of a capital asset situated in India.

Characterisation of Income

As per section 2(14) of the ITA, “capital asset” includes any security held by a FPI which has invested in such security in accordance with the regulations made under the SEBI Act, 1992. Accordingly, all income arising out of the sale of Indian securities held by the FPI shall be treated as capital gains.

Income streams

The Sub-Fund is expected to earn the following streams of income from investment in debt securities in India:

- Capital gains on transfer of debt securities
- Interest income from investment in debt securities

Taxation of Capital Gains

Under the provisions of the ITA, depending upon the period of holding of securities, capital gains earned by the Sub-Fund on transfer of securities would be taxable either as short-term or long-term capital gains.

Nature of Asset	Short-term capital asset	Long-term capital asset
For assets being a security (other than a unit) listed in a recognised stock exchange in India or a Unit of the Unit Trust of India or a unit of an equity oriented fund or zero coupon bonds	Held for not more than 12 months	Held for more than 12 months
For assets other than those specified above	Held for not more than 36 months	Held for more than 36 months



Long-term capital gains arising from transfer of debt securities would be subject to tax at the rate of 10% (plus applicable surcharge and education cess). Income received in respect of short-term capital gains arising from the transfer of debt securities would be subject to tax at the rate of 30% (plus applicable surcharge and education cess).

#### Taxation of Interest Income

As per the ITA, interest on rupee denominated corporate bonds and government securities payable to the Sub-Fund would be subject to a tax at the rate of 5% (plus applicable surcharge and education cess) if the following conditions are satisfied:

- Such interest is payable on or after 1 June 2013 but before 1 July 2017;
- In respect of rupee denominated corporate bonds, rate of interest does not exceed the rate which is notified by the Central Government

If the above rates do not apply, interest income on securities would be subject to tax at the rate of 20% (plus applicable surcharge and education cess).

#### **Taxability of Income under the Treaty**

##### Tax Residency and eligibility to Treaty benefits

Since India has signed a tax treaty with Ireland, the provisions of the Treaty should apply to the extent it is more beneficial than the provisions of the domestic tax law. This is subject to the Sub-Fund being a tax resident of Ireland and fulfilling the eligibility criteria to claim benefits under the Treaty. To avail treaty benefits, the Sub-Fund would be required to obtain a tax residency certificate ("TRC") from the Ireland Revenue Authorities, furnish a declared Form No.10F along with supporting documents. The specific documents to be maintained in this regard are not prescribed by the Indian Government and would depend upon the facts of each case. Further, it has not been specified under the tax laws when the form or other documents are to be submitted. These documents may have to be submitted to the tax authorities, if called for, during tax audit proceedings.

The term "resident of a Contracting State" as defined in the Treaty means any person who, under the laws of that State, is *liable to tax* therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

##### Taxation of Capital Gains

Under the Treaty, capital gains earned on transfer of debt securities in India would be exempt from taxes in India by virtue of Article 13(6) of the Treaty.

##### Taxation of Interest Income

Under the Treaty, interest income earned by the Sub-Fund from investment in debt securities in India would be subject to tax at 10% under the Treaty, provided the Sub-Fund is the "beneficial owner" of such interest income.

In case the Sub-Fund is not eligible to claim the Treaty benefits, then the provisions of the ITA will be applicable, as discussed in the above paragraphs.

#### **Other provisions**

##### Withholding Tax

Interest income earned by the FPIs will be subject to withholding tax at the rate of 5%/20% (plus applicable surcharge and cess) or the rate provided under the Treaty, whichever is more beneficial. The rate of tax as per India-Ireland Tax Treaty is 10%. In case of interest on government securities, based on experience, we understand that the taxes are not withheld on such payments and accordingly, the Sub-Fund would be required to estimate the interest income for the financial year and discharge advance taxes prior to repatriation of income outside India.

No deduction of tax is required from any income by way of capital gains arising from transfer of debt securities in case of the FPI. However, advance tax is required to be discharged by the FPI prior to repatriation of sale proceeds outside India.

#### Indirect transfers

As per the provisions of the ITA, income arising from a transaction entered into outside India between two non-residents should not be taxable in India unless the income could be regarded as arising from a business connection in India or from any asset or source of income in India or through the transfer of a capital asset situated in India, or if received or deemed to be received in India.

The Finance Act, 2015, has clarified that a foreign company or entity shall be deemed to derive its value substantially from Indian assets if the fair market value of Indian assets represents at least 50 per cent of value of all the assets owned by such foreign company or entity, subject to minimum value of Indian assets of INR 100 million.

Since the Sub-Fund is likely to invest mainly in debt securities in India, offshore transfers, satisfying certain conditions ought to be taxable in India. . However, exemption is available in the case of dividend pay-outs by the foreign entity to its investors. Relief is also proposed for minority shareholders (along with its associated enterprises) that neither hold the right of control or management nor hold voting power or share capital or interest exceeding five per cent of the total voting power or total share capital in the overseas company.

If the above-mentioned provisions are applied to non-resident investors of the Sub-Fund, it could result in tax liability on investors in respect of transfer/redemption of Shares in case the investors are not covered by the exemptions provided by the Finance Act, 2015. In such a case, a withholding tax obligation is also likely to arise on the Sub-Fund in respect of such transfers.

The investors should, however, be eligible to avail treaty benefits, subject to satisfying certain conditions.

#### General Anti Avoidance Rules (“GAAR”)

GAAR provisions were proposed to be effective from 1 April 2015. The Finance Act, 2015 has deferred GAAR by two years, now effective from 1 April 2017. All investments made up to 31 March 2017 will be grandfathered. Also, the GAAR provisions will apply prospectively. GAAR provisions need to be separately analysed based on specific facts of each case.