

# INTELLECT

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## Financial Market Turmoil – An opportunity in disguise

### Financial Market Turmoil

Pg. 1

### Subprime Situation

Pg. 8

### Impact of US Fed rate cut

Pg. 10

Special issue on  
Volatile  
Markets

## Financial market turmoil: An opportunity in disguise

The global markets and the Indian markets have been volatile over the past few days and have arguably caused concern among investors. Let's try and analyze the situation to make some sense out of this experience.

The whole global meltdown can be attributed to what's happening in the US and some other influential developed economies. It all started with the Subprime crisis resulting in a liquidity and Credit Crunch. The Subprime situation and the Credit Crunch are explained separately in this issue. It has been clear for some time that some of the excesses that we have seen in the retail finance space in some of the developed economies (particularly the US) will have to unwind at some point of time or the other. In many ways this process of unwinding is now well under way.

The US credit crunch (see page 2), the subprime situation there and the consequential loss of retail business confidence have all been evident in the US economy for the past few months. Early impact of this pain has already been felt in the property markets of the US and other developed economies like UK. Significant write-offs in the books of large financial institutions in these economies are now transferring some part of this into the financial markets also.

A slowing US economy is causing concern among consumers around the world. There is a growing sense of concern that losses from subprime mortgage will cause the global economy to slow down and this has further spread the negative sentiment to the markets in Europe and some other parts of the world.

This contagion over the last one month along with concerns with respect to the sub-prime crisis, US slowdown has been compounded by worries of the credit ratings of bond insurers (see page 3). It is felt that concerns on the credit rating of these bond insurers in recent times have accelerated the panic and concern prevalent in the financial system.

By way of introduction, bond insurers (See page 3) are companies that insure against the risk of a bond or other security defaulting. In case a company / Bank wants to issue a bond and cannot get a high rating on its own, bond insurers can help it get a good rating. They do this for a fee. Bond insurers promise to make the payments on the insured securities over the lifetime of the security. The two large American bond insurers are MBIA and Ambac. Since these organisations are at the apex of the credit rating pyramid they are expected to be the bluest of blue chips and have a 'AAA' credit rating from most credit rating agencies. If this 'AAA' credit rating comes under question then this could lead to downgrades of the US \$ 2.4 trillion of bonds that have been guaranteed by them. This in turn would force banks to increase the amount of capital held against these bonds and hedges with bond insurers. Hence it is worthwhile understanding the impact of any potential downgrade of these organisations.

In this context, in the short term, given liquidity constraints and need to return to safety, perceived higher risk asset classes like developing economies will bear some part of the pressure of redemptions and consequent sale of equity stock. In the first phase of the

financial markets coming down as a consequence of the unwinding, the emerging market stocks are also likely to show impact of negative sentiment. As markets come down and

as valuations come to more terrestrial levels, analysts and fund managers will begin to evaluate where the maximum potential of growth lies in the global economies. Many fund

## CREDIT CRUNCH

The US credit market runs on two wheels. One wheel is borrowing and the other is lending. Credit crunch is a situation in which the wheel of lending gets jammed leading to a sudden decline in lending, that is, credit. This situation will automatically jam the other wheel. So if there is a credit crunch, borrowers are not able to find lenders. And even if they find them, the credit is available at unusually high interest rates.

“Credit crunch” could happen due to many reasons:

- Increased perception of risk on the part of lenders
- Imposition of credit controls or a sharp restriction in money supply.

Increase in risk perception causes the worst kind of credit crunch. When the lenders are not sure about the creditworthiness of borrowers, there is an increase in the risk perception. This makes lenders nervous and they stop lending. When one of your wheels is in a rut, you can't expect the other wheel to keep on moving. As a result, the flow of credit comes to a grinding halt.

### What causes lenders to doubt the creditworthiness of borrowers?

Lenders doubt the creditworthiness of borrowers when they are not sure about getting their money back. The memory of recent defaults adds fuel to suspicion, and lenders become reluctant to lend. You may think that the lenders can demand high interest rates for taking a risk and part with their cash. The problem, however, is that it is difficult to set a price for risk when you are uncertain about the likely loss. This is how the defaults of “subprime mortgages” in the US started as a fear of the werewolf in the financial markets this year. Lenders were not sure when their borrowers would turn into werewolves. Small depositors started lining up outside their banks. Even banks started fearing each other, which led to the worst kind of credit crunch seen in the inter-bank markets. This kind of fear and uncertainty is a perfect recipe for credit crunch.

### What can happen if credit crunch persists for long?

A credit crunch affects not only borrowers and lenders but also our financial markets and the economy. With the onset of credit crunch, interest rates shoot up. But even high rates may fail to bring lenders to the market. High interest rates put a brake on new investments and consumer demands, which may ultimately slow economic growth. New deals are scrapped due to lack of credit. Leveraged borrowers take the heaviest blow. Lenders may start demanding their money back. Even sound borrowers may default due to sudden demand for repayment. This can surely set the financial markets on fire.

## BOND INSURANCE

Bond insurance is a commitment by an insurance company to make the scheduled principal and interest payments on a bond should the obligor of the bond is unable to do so.

### How does it work?

When a company or a public entity decides to issue a bond, it pays the bond insurer to guarantee its bonds. Entities with a lesser credit rating than the monoline company can get their bonds insured so that they can have the same rating as the insurance company itself (mostly AAA). So relatively poor-quality debt becomes investment-quality debt because the insurance company will pay the interest and principal if the borrower defaults.

This makes the bonds safer and investors should, in theory, require lower interest payments to lend the money.

Bond insurers essentially lend their rating to less creditworthy borrowers; just as some students can only borrow money if parents act as guarantors.

### Who uses bond insurance?

The market developed in the US in the 1970s as municipal borrowers, such as small towns or regions, realised they could borrow money from big investors if they were guaranteed by bond insurers with triple-A credit ratings, the best possible.

In recent years, bond insurers have developed businesses around guaranteeing payments on structured or securitised bonds. Some have also entered the derivatives market.

### What is the problem now?

Bond insurers agree to pay principal and interest when due in a timely manner in the event of a default. Many bond insurers have provided such guarantees on billions of securities, including collateralized debt obligations (CDOs) (Explained in INTELLECT Aug,07) that are partly exposed to subprime mortgages. The problem is that tidal waves of mortgage defaults are sweeping the US, creating so many losses that many bond insurers are getting swamped.

The risks of defaults in the structured and securitised bond markets have proved to be higher than in the municipal bond market. Some of the assets behind the complex bonds were mortgages, including risky US subprime mortgages. The soaring rates of delinquencies on these mortgages means payments to the bonds have stopped.

Losses on these bonds, some of which are called collateralised debt obligations have been higher than expected, and the bond insurers have to find extra capital to be sure they can meet their obligations. Without the extra capital, they could lose their triple-A ratings, and no longer be able to insure as many bonds.

managers now have a much higher level of awareness and familiarity with emerging economies and with India. This will hold them in good stead when stability and sanity returns to global markets and in a relative sense valuations to growth ratios would look more attractive in developing economies like India. The savings of developed economies and local savings in developing economies will continue to get invested in equities as this asset class remains the single most important hedge against long term inflation. In our markets there is also the local situation of liquidity having been sucked out owing to large recent IPO's and margin selling on behalf of retail investors causing a cascading negative impact.

Such opportunities of panic selling provide long term investors with an avenue for deployment of long term savings in quality opportunities. In our view Indian markets will present investors with quality long term opportunities and serious investors will benefit from this situation irrespective of the short term pain which may yet come.

Quality companies in India over a long period of time will deliver high quality earnings growth. In this context long term investors should invest gradually in the market through systematic investment plans to help them create long term value in mutual fund schemes which have a track record and invest in good quality companies.

The Federal Reserve cut its benchmark interest rate by 0.75% points on Tuesday (See page 9).

This is the highest single rate cut by the US Fed in over 20 years. In the statement accompanying the rate decision, the FOMC acknowledged that it took action “in view of a weakening of the economic outlook and increasing downside risks to growth”. Lowering interest rates is one tool available to central banks worldwide to modulate the impact of an impending slowdown. The magnitude of the rate cut clearly indicates the serious concerns in the US about the impact that the slowdown can have on the economy. In fact, going forward it is widely expected that the Fed will cut interest rates further by 50 basis point before pausing to take stock of the impact of these rate cuts.

It seems now clear that we are in for some interesting times. The unidirectional bull run in the global equity markets is at least pausing for some time. Great attention needs to be paid to events happening worldwide because their impact on our economy and on our markets will be material. On one hand India's economic growth is unlikely to be seriously affected by a slowdown in other major economies. There could be a limited impact especially in the export oriented sectors. However, global sentiment for equity oriented investing is likely to be affected and we cannot remain insulated from this. Hence, on balance while it is likely that our robust economic growth and growth of individual companies will continue in the future, there will be some impact on sentiment and we can anticipate a period of some volatility in the future.

# Subprime Flow



**1** Subprime Housing Loan



**2** Brokers who Facilitate loans



**3** Bank or financial Institution who finance those papers

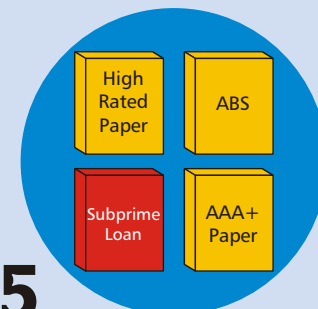


**4** Securitization/ manufacture of CDOs

Wall Street banks package subprime loans into mortgage-backed securities and collateralized debt obligations. Sales of new MBSs soared to \$2.4 trillion in 2006.

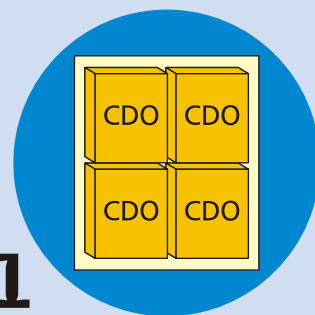
At this stage Banks package Subprime Loans into mortgage bank securities and CDO. In this CDO let us consider that other securities are highly rated quality loans and other asset backed securities mixed with subprime loan.

### CDO's



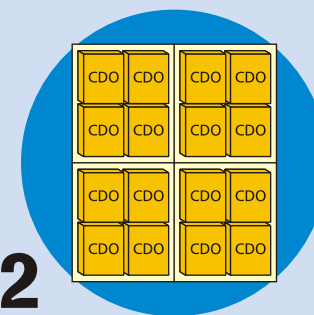
**5**

### CDO Squareds



**5.1**

### CDO Cubeds



**5.2**

A CDO is a company typically including offshore that bags collaterals such as bonds, mortgage-backed securities and loans and bundles it into debt securities within varying risks.

When a CDO collateral consists of pieces of other CDO's is called a CDO squared when a CDO is built of CDO Squareds it is called CDO cubeds.



**7**

This CDO is brought by investors and traded in the market. In 2006, an estimated \$100 billion of subprime debt went in to \$375 billion in US



**6**

When a bank makes CDO, it meets Credit Raters to discuss the quality of the contents, including subprime debt. They divide the CDO into pieces in order to get desired ratings.



# Sub prime Situation

## Origin of Subprime:

**P** rime Loans also means A-paper loan it is a term used to describe a mortgage loan where the asset and borrower meet the following criteria:

- ▶▶ In the United States, the borrower has a credit score of 680 or higher
- ▶▶ The borrower fully documents their income and assets
- ▶▶ The borrower's debt to income ratio does not exceed 35%
- ▶▶ The borrower retains 2 months of mortgage payments in reserves after closing
- ▶▶ The borrower injects at least 20% equity

In short, prime loan means a loan given to a borrower having good credit history and good earnings potential clubbed with strong security in terms of cash or assets.

**Sub prime loans** means B-paper loan where the asset and the borrower does not fulfill the mandatory criteria for borrowing a loan

- ▶▶ It is exactly antonym of prime loans these loans are disbursed to borrowers having poor credit history low income and earnings potential having less or no collateral
- ▶▶ As the borrower and the asset does not meet the mandatory criteria for loan he has to shell out more money for the loan in short the interest charged to him is more then charged in the prime loan. The extra interest he needs to pay to make-up for low credit score.
- ▶▶ Subprime mortgage loans are riskier loans in that they are made to borrowers unable to qualify under traditional, more stringent criteria due to a limited or blemished credit history. Subprime borrowers are generally defined as individuals with limited income or having FICO\* credit scores below 620 on a

scale that ranges from 300 to 850. Subprime mortgage loans have a much higher rate of default than prime mortgage loans and are priced based on the risk assumed by the lender.

- ▶▶ If the subprime borrower defaults which is very likely to happen, then the asset for which loan is taken is foreclosed.

In the US housing boom which started in the 1990's every thing seemed hunky-dory then. In this boom the brokers of housing loan had a time of their life as they pushed in for loans to the borrowers who cannot afford it and made good fees out of it. This pile of junk loans quintupled over the years and found its way into various debt papers, bonds and CDO's (explained later in the article). Not only did it find its way in to Wall Street but also plagued various geographies globally.

As you check the flow sheet of how the Sub prime money trail you will find that the mess is a cumulative efforts of the greed at all levels. Starting from prospective home owners who bought something which they didn't deserve or afford, to the home loan brokers and then from banks & financial institutions who bought this loan and bundled them in to CDO's, to ultimately the Credit rating agency who rated them as investible assets, before the CDO#-producers floated them in the secondary markets for trading.



**What has happened?**

This subprime mess has contaminated various asset class and investment avenue across the globe. As the old saying goes – “One rotten mango spoils the whole basket”

**Immediate issues in the US**

- ▶▶▶ Credit crunch
- ▶▶▶ Negative momentum in home sales, inventory and prices Assumption
- ▶▶▶ Partial mean-reversion of home prices

This can be a very slow train, but its direction is very clear

**Cascading effect Globally**

- ▶▶▶ Economies exporting heavily to US has got a jolt. As US housing slump increases lesser people will spend for households, FMCG and white goods products hence retail sales will be affected.

- ▶▶▶ Credit crunch : Lenders are getting more tightfisted as more tough times loom for housing. Hence lesser the lending lesser is the borrowing again agitating the housing slump.
- ▶▶▶ Corporate Credit : The private equity and stock buyback booms of the past few years, both fueled by cheap debt, has slowed down. The stock markets globally has seen major corrections. A lot of market cap has been wiped off.
- ▶▶▶ As US dollar weakens against various currencies the trade deficit takes a hit. Yen which has strengthened against dollar substantially has affected the cash and carry trade. Usually investors buy yen, which was cheaper, and invest in high yield economies, especially the emerging markets. As yen appreciates, this trade becomes unattractive and starts unwinding as reflected in recent sell offs.



# Impact of US Fed rate cut

## - The biggest single rate cut in 20 years

In a somewhat surprising move that reflected serious concerns about a deteriorating U.S. economy, the Fed cut interest rates by 75 bps to 3.5%, the lowest since September 2005.

The significant rate cut clearly shows the concern that the US Fed has for the expected slowdown in the US economy. While it is difficult to say whether this rate cut will immediately turn sentiment around, expectations of further rate cuts have now been ignited.

The Federal Reserve's biggest interest rate cut in 20 years will likely lower some borrowing costs for consumers and is intended to kick start the economy forward and improve sentiment. As of now the Fed has managed to calm down money markets and somewhat alleviated liquidity pressures.

### **In India:**

With the US economy experiencing significant slowdown and odds of recession rising, global expansion is set to slowdown in 2008.

The Fed's move in the short term can help sentiment-wise. But looking at current markets performance, investors are still nervous about the growth prospects in US. Perhaps the market is of the view that the current rate cut may not be sufficient to prevent the economy from slowing.

The Fed's statement is an indication of a recession in the US which will have some impact on our interest rates as well. The likely hardening of the rupee vis-a-vis USD is likely to continue and hence the RBI may be persuaded to reduce rates too.

With the dollar weakening and the interest rate differential widening further, capital inflows can be anticipated. The interest rate differential will become quite compelling for global investors to bring in capital into our economy. This could augur well for our markets in the long term.

For our economy it seems unlikely that there would be any immediate impact of the slowdown in US and other markets on growth rates across sectors. However, the Government will remain sensitive to the knock-on effects of export slowdown and intervention may continue to maintain the Rupee Dollar parity within a range. This may in turn imply that we might see a downward bias on interest rates in India. This in turn again will be positive for equity markets in general.

All in all, we will see some interesting times. The countervailing forces of a global slowdown and impact on sentiment will compete with continued domestic growth and positive outlook in the domestic market while driving sentiments for investments in India.

**DISCLAIMER :** The views express in this booklet are for information purpose only and dose not construe to be an investment advice no investment decision should be taken based on the analysis in this booklet. Any action taken by you on the basis of the information contained herein is your responsibility alone and Tata Asset Management Ltd. will not be liable in any manner for the consequences of such action taken by you.

## Our Performance - Track Record

### Equity Funds

**Annualized return (% CAGR)**

*As on 31st December, 2007*

	1-year	3 - Years	5 - Years	Since Inception	Period Since Inception
Tata Equity Opportunities Fund (TEOF)	76.37	54.36	66.10	16.95 (14.26)	5 years*
Tata Pure Equity Fund (TPEF)	61.34	49.20	59.49	37.60 (18.10)	9 years
Tata Select Equity Fund (TSEF)	67.03	55.61	60.16	26.23 (15.76)	11 years
Tata Growth Fund (Dividend Option) (TGF)	64.82	43.90	51.64	14.26 (12.53)	6 years*
Tata Infrastructure Fund (TISF)	84.33	64.17	-	64.17 (45.38)	3 years
Tata Service Industries Fund (TSIF)	50.25	-	-	47.55 (51.07)	2 years
Tata Equity P/E Fund (TEPEF)	83.63	49.12	-	54.90 (50.46)	3 years
<b>Benchmark - BSE SENSEX</b>	47.15	45.38	43.10	-	-
Tata Balanced Fund (TBF)	55.35	40.14	42.87	21.13	11 years
<b>Crisil Balanced Fund Index</b>	36.75	28.24	26.77	-	-

\* These funds were earlier managed by Indian Bank Mutual Fund. After their take over by TAM in the year 2001, their portfolio & management were totally recast.

Past performance may or may not be sustained in future. Returns are given for growth option. Figures in brackets indicate benchmark returns for the corresponding period. Date of Allotment: TEOF - Feb 25, 1993; TPEF - May 7, 1998; TSEF - May 24, 1996; TGF - Jul 1, 1994; TISF - Dec 31, 2004; TSIF - Apr 05, 2005; TEPEF - Jun 29, 2004; TBF - Oct 8, 1995.

**Tata Pure Equity Fund: Nature and Investment Objective:** An open ended equity scheme. To provide income distribution and / or medium to long term capital gains while at all times emphasizing the importance of capital appreciation. Load Structure (other than SIP): Entry Load: For each investment amount less than Rs 1 crore: 2.25%; For each investment amount greater than or equal to Rs 1 crore: Nil. Exit Load: For investment amount less than Rs. 1 crore: 1% if redeemed on or before expiry of six months from the date of allotment. For investment amount greater than or equal to Rs. 1 crore: Nil. **Tata Equity Opportunities Fund: Nature and Investment Objective:** An open ended equity scheme. To provide income distribution and/or medium to long term capital gains while at all times emphasizing the importance of capital appreciation. Load Structure (other than SIP): Entry Load: For each investment amount less than Rs 2 crore: 2.25%; For each investment amount greater than or equal to Rs 2 crore: Nil. Exit Load: For investment amount less than Rs. 2 crores: 1% if redeemed on or before expiry of six months from the date of allotment. For investment amount greater than or equal to Rs. 2 crores: Nil. **Tata Infrastructure Fund: Nature and Investment Objective:** An open ended equity scheme. The investment objective is to provide income distribution and / or medium to long term capital gains by investing predominantly in equity / equity related instrument of companies in infrastructure sector. Applicable Loads: Entry Load (other than SIP): For each investment amount less than Rs 2 crore: 2.25%; For each investment amount greater than or equal to Rs 2 crore: Nil. Exit Load (other than SIP): For investment amount less than Rs. 2 crores: 1% if redeemed on or before expiry of six months from the date of allotment. For investment amount greater than or equal to Rs. 2 crores: Nil. **Tata Select Equity Fund: Nature and Investment Objective:** An open-ended equity scheme. To provide income distribution and/or medium to long-term capital gains while at all times emphasizing the importance of capital appreciation. Load Structure: Entry Load (Other than SIP): For each investment amount greater than or equal to Rs 1 cr: Nil. For each investment amount less than Rs 1 cr: 2.25%. Exit Load (Other than SIP): For each investment amount greater than or equal to Rs. 1 cr: Nil. For each investment amount less than Rs. 1 cr: 1%, if redeemed within 6 months from date of allotment. **Tata Service Industries Fund: Nature and Investment Objective:** An open ended equity scheme. The investment objective is to provide income distribution and / or medium to long term capital gains by investing predominantly in equity / equity related instrument of companies in Services sector. Applicable Loads: Entry Load (other than SIP): For Each Investment amount < Rs. 2 Crores: 2.25%. For Each Investment amount > = Rs. 2 crore: Nil. Exit Load (other than SIP): For investment amount greater than or equal to Rs. 2 Crs: Nil, less than Rs. 2 Crs: 1%, if redeemed within 6 months from date of allotment. **Tata Growth Fund: Nature and Investment Objective:** An open ended equity fund. To provide income distribution and/or medium to long term capital gains while at all times emphasizing the importance of capital appreciation. Entry Load (other than SIP): For investment amount > = Rs 5 crores or more: Nil. For investment amount < Rs 5 crores : 2.25%. Exit Load (other than SIP): Nil. **Tata Balanced Fund: Nature and Investment Objective:** An open ended balanced fund. To provide income distribution and/or medium to long term capital gains while at all times emphasizing the importance of capital appreciation. Load Structure (other than SIP): Entry Load: For Investment amount less than Rs. 2 crores : 2.25%; For each investment amount greater than or equal to Rs. 2 crores : Nil. Exit Load: For Investment amount greater than or equal to Rs. 2 crores: Nil, less than Rs. 2 crores 1%, if redeemed within 6 months from the date of allotment. **Tata Equity P/E Fund: Nature and Investment Objective:** An open ended equity scheme. To provide reasonable and regular income along with possible capital appreciation to its unitholder. Load Structure: Entry Load (other than SIP): For each investment amount < Rs. 2 crs : 2.25%. For each investment amount > = Rs. 2 crs Nil. Exit Load (other than SIP): Nil. **Load Structure (SIP)** for TPEF, TEOF, TSEF, TISF, TSIF, TEPEF, TGF, TBF. Entry Load : 1%; Exit Load : if redeemed on or before expiry of 24 months from the date of allotment : 1.25%; if redeemed after 24 months : Nil. This SIP load structure would be applicable for SIP amount upto Rs 10 lakhs per installment. For SIP installment above Rs 10 lakhs, the prevailing load structure for investment other than SIP will be applicable. **Statutory Details:** Constitution: Tata Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. Sponsors & Settlers: Tata Sons Ltd., Tata Investment Corporation Ltd. Investment Manager: Tata Asset Management Ltd. Trustee: Tata Trustee Co. Pvt. Ltd. **Risk Factors:** • Mutual Fund and securities investments are subject to market risks and there can be no assurance and no guarantee that the schemes will achieve their objectives. • As with any investment in stocks, shares and securities the NAV of the units under the schemes can go up or down, depending upon the factors and forces affecting the capital market. • Past performance of the previous Schemes, the Sponsors or its Group affiliates is not indicative of and does not guarantee the future performance of the Schemes. • Tata Pure Equity Fund, Tata Equity Opportunities Fund, Tata Infrastructure Fund, Tata Service Industries Fund, Tata Select Equity Fund, Tata Growth Fund, Tata Equity P/E Fund, Tata Balanced Fund are only the names of the Schemes and do not in any manner indicate either the quality of the Schemes, its future prospects or the returns. • The sponsors are not responsible or liable for any loss resulting from the operations of the scheme beyond the initial contribution of Rs.1 lac made by them towards setting up the Mutual Fund. • Investment in fixed income securities is subject to interest rate risk, credit risk and liquidity risk. • Pursuant to allotment of bonus units the NAV of the schemes would fall in proportion to the bonus allotted and as a result the total value of units held by the investor would remain same. • Tata Infrastructure Fund - The scheme being sectors specific will be affected by risk associated with the infrastructure sector. • Tata Service Industries fund - The scheme being sector specific would be investing predominantly in equity and equity related instruments of the companies in the service sector, it would be riskier than a normal diversified equity scheme. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio. Risks in using derivatives include the risk of default of counter party, mis-pricing and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. For scheme specific risk factors and other details **please read the offer document of the schemes carefully before investing.**

As per SEBI circular dated 31st December, 2007 no entry load shall be charged for direct purchase/switch in applications accepted by the AMC w.e.f. 4th January, 2008.

# India's first dedicated Infrastructure mutual fund scheme completes 3 years

**TATA**  
**MUTUAL**  
**FUND**



## **TATA**

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# **INFRASTRUCTURE**

(An Open Ended Equity Scheme)

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# **FUND**

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**Nature and Investment objective:** • An open ended equity scheme. The investment objective is to provide income distribution and / or medium to long term capital gains by investing predominantly in equity / equity related instrument of companies in infrastructure sector. • **Two options for investment:** Dividend Option and Growth Option : Minimum application of 5,000/- and in multiples of Re.1/- thereafter for each application for both the options. • **Applicable Loads:** **Entry Load (other than SIP):** For each investment amount less than Rs 2 crore: 2.25%; For each investment amount greater than or equal to Rs 2 crore: Nil. **Exit Load (other than SIP):** For investment amount less than Rs. 2 crores: 1% if redeemed on or before expiry of six months from the date of allotment. For investment amount greater than or equal to Rs. 2 crores: NIL. **Entry load for SIP\*:** 1%. **Exit Load for SIP\*:** If redeemed on or before expiry of 24 months from the date of allotment : 1.25%. If redeemed after 24 months Nil. \*The above SIP load structure would be applicable for SIP amount upto Rs 10 lakhs per installment. For SIP installment above Rs 10 Lakhs, the prevailing load structure for investment other than SIP will be applicable. As per SEBI circular dated 31st December, 2007 no entry load shall be charged for direct purchase/switch in applications accepted by the AMC w.e.f. 4th January, 2008. **Statutory Details:** **Constitution:** Tata Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. **Sponsors & Settlors:** Tata Sons Ltd., Tata Investment Corporation Ltd. **Investment Manager:** Tata Asset Management Ltd. **Trustee:** Tata Trustee Co. Pvt. Ltd. **Risk Factors:** • Mutual Fund and securities investments are subject to market risks and there can be no assurance and no guarantee that the scheme will achieve its objectives. • As with any investment in stocks, shares and securities the NAV of the units issued under the scheme can go up or down, depending upon the factors and forces affecting the capital market. • Past performance of the previous Schemes, the Sponsors or its Group affiliates is not indicative of and does not guarantee the future performance of the Scheme. • Tata Infrastructure Fund is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or the returns. • The sponsors are not responsible or liable for any loss resulting from the operations of the scheme beyond the initial contribution of Rs. 1 lac made by them towards setting up the Mutual Fund. • Investment in fixed income securities are subject to interest rate risk, credit risk and liquidity risk. • The scheme being sector specific will be affected by risks associated with the Infrastructure Sector. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio. Risks in using derivatives include the risk of default of counter party, mis-pricing and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. **For scheme specific risk factors and other details please read the offer document of the scheme carefully before investing.** For offer document and application form, please contact your nearest AMC Offices.