

Key Information Memorandum

Pramerica Short Term Income Fund

(An Open Ended Income Scheme)



Pramerica

MUTUAL FUND

Investment Objective	<p>The objective of the Scheme is to generate regular returns with moderate level of risk by investing primarily into a portfolio of Debt Securities and Money Market Instruments of short term maturity.</p> <p>However, there is no assurance that the investment objective of the Scheme will be realized and the Scheme does not assure or guarantee any returns.</p>																
Asset Allocation Pattern of the scheme	<p>Under normal circumstances, the asset allocation under each Series of the Scheme will be as follows:</p> <table border="1" data-bbox="360 464 1495 680"> <thead> <tr> <th data-bbox="360 464 948 520" rowspan="2">Types of Instruments</th> <th colspan="2" data-bbox="948 464 1257 520">Indicative allocations (% of total assets)</th> <th data-bbox="1257 464 1495 520" rowspan="2">Risk Profile (High/ Medium/ Low)</th> </tr> <tr> <th data-bbox="948 520 1098 562">Minimum</th> <th data-bbox="1098 520 1257 562">Maximum</th> </tr> </thead> <tbody> <tr> <td data-bbox="360 562 948 619">Debt and Money market instruments with residual maturity upto 3 years</td> <td data-bbox="948 562 1098 619">65</td> <td data-bbox="1098 562 1257 619">100</td> <td data-bbox="1257 562 1495 619">Low to Medium</td> </tr> <tr> <td data-bbox="360 619 948 680">Debt and Money market instruments with residual maturity of not exceeding 5 years and 3 months</td> <td data-bbox="948 619 1098 680">0</td> <td data-bbox="1098 619 1257 680">35</td> <td data-bbox="1257 619 1495 680">Low to Medium</td> </tr> </tbody> </table> <p>The average maturity of the Scheme's portfolio will not exceed 3 years.</p> <p>Presently, the Scheme does not intend to invest in securitised debt and overseas / foreign securities.</p> <p>The scheme retains the flexibility to invest across all the securities in the debt and money markets instruments, within the abovementioned asset allocation. The portfolio may hold cash depending on the market outlook. The fund manager may use derivative instruments as permitted under the Regulations from time and as may be deemed appropriate. Further, aggregate asset allocation including exposure to derivatives will not exceed 100% of the net assets; and that same security wise hedge positions would be excluded from the same. Investment and disclosure by the Scheme in derivatives will be in line with SEBI Circular no. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010.</p> <p>In terms of SEBI Circular ref. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, the Mutual Fund /AMC shall make investment out of the NFO proceeds only on or after the closure of the NFO period.</p> <p>Change in Asset Allocation:</p> <p>Subject to the Regulations, the asset allocation pattern indicated above for the Scheme may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they may vary substantially depending upon the perception of the Fund Manager, the intention being at all times to seek to protect the interests of the Unitholders, and meet the objective of the Scheme. In case of deviation, the portfolio would be rebalanced within 1 month from the date of such deviation.</p> <p>Such changes in the asset allocation will be for short term and defensive considerations. Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Scheme shall be effected only in accordance with the provisions of sub regulation (1 5A) of Regulation 18 of the Regulations, as detailed in Section II (F) 'Fundamental Attributes' of the Scheme Information Document.</p>			Types of Instruments	Indicative allocations (% of total assets)		Risk Profile (High/ Medium/ Low)	Minimum	Maximum	Debt and Money market instruments with residual maturity upto 3 years	65	100	Low to Medium	Debt and Money market instruments with residual maturity of not exceeding 5 years and 3 months	0	35	Low to Medium
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Investment Strategy	<p>Debt Securities and Money Market Instruments of short term maturity, and accordingly, the Scheme, would invests at least 65% in Debt and Money market instruments with residual maturity upto 3 years and upto 35 % in Debt and Money market instruments with residual maturity not exceeding 5 years and 3 months, while the average maturity of the Scheme's portfolio will not exceed 3 years.</p> <p>The Scheme is a short-term investment option that provides the flexibility to counter a dynamic environment by actively managing its portfolio in line with the evolving interest rate scenario. The Scheme will follow an active duration management strategy.</p> <p>The investment strategies will focus on constructing fixed income portfolios in line with above objective.</p> <p>The fund manager will manage the fund based on the outlook on interest rates and liquidity etc. Such outlook will be developed by in-house assessment of various macro factors like economic growth, inflation, credit pick-up, liquidity and other such factors as considered relevant. Credit portfolio management will be primarily guided by external credit ratings assigned by any of the recognized credit rating agency. Additionally, as may be deemed appropriate, inputs may be available from financial statement analysis, management review, industry trends, capital structure and covenant analysis to identify securities for inclusion / exclusion from credit portfolios. Efficient portfolio construction will be used to manage interest rate risk across different asset class and duration buckets, and optimise risk-adjusted returns.</p> <p>The Scheme may use debt derivative instruments like interest rate swaps like Overnight Indexed Swaps ("OIS"), forward rate agreements, interest rate futures or such other derivative instruments as may be permitted under the applicable regulations. Derivatives may be used for the purpose of hedging, and portfolio balancing and such other purpose as may be permitted under the regulations and Guidelines from time to time.</p>																
Risk Profile of the Scheme	<p>Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Investment in Pramerica Short Term Income Fund will involve certain Scheme specific Risk Factors which are summarized below:</p> <p>The Scheme carries risk associated with investing in debt and money market instruments. Investment in debt and money market instruments are subject to Interest Rate Risk, Credit Risk, Spread Risk, Liquidity Risk, Counterparty, Risk and Re-investment Risk. As the price / value / interest rates of the securities in which the Scheme invests fluctuates, the value of your investment in the Scheme may go up or down.</p> <p>The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Scheme may not be able to sell or purchase</p>																

	<p>derivative quickly enough at a fair price.</p> <p>Please refer to Scheme Information Document (SID) of the Scheme for detailed risk factors.</p>		
Risk Mitigation Strategies	<p>Interest rate risk is managed by determination of modified duration (which is the expression for change in portfolio value for a basis point change in interest rate) of the portfolio. Analysis of macro economic conditions is done to form a view on future direction of interest rates and to the portfolio accordingly. Credit risk is managed by an analysis of issuer (financial / operating performance) with the help of internal and external research. Liquidity risk is addressed by maintaining exposure to cash / cash equivalents and highly liquid instruments as considered appropriate. Investments in debt / money market securities would normally be undertaken in instruments that have been assigned high investment grade ratings by any of the recognised rating agencies. Unrated investments, if any, would require specific approval from the Board of Directors of AMC/TRUSTEE Company.</p>		
Plans and Options	<p>The Scheme has two Options, namely, Growth Option and Dividend Option.</p> <ul style="list-style-type: none"> • Dividend Option has the following two facilities: <ul style="list-style-type: none"> i. Dividend Reinvestment facility at a Weekly, Fortnightly, Monthly & Quarterly frequency; and ii. Dividend Payout facility at a Monthly & Quarterly frequency. <p>(If the amount of Dividend payable under the Dividend payout facility is ₹ 500/- or less, then the Dividend would be compulsorily reinvested in the Dividend Option of the Scheme).</p>		
Applicable NAV (after the scheme opens for repurchase and sale)	Subscription / Redemption / Switch - in / Switch-out with the Fund:		
		Cut off time	Applicable NAV
	a) Purchases including Switch-ins for below ₹ 1 crore:		
	Subscription / Switch - in		
	Where a valid application is received on any Business Day at the official points of acceptance of transaction along with a local cheque or a demand draft payable at par at the place of submission of the application with the Fund	Upto 3.00 p.m.	the closing NAV of the same business day
		After 3.00 p.m.	the closing NAV of the next business day
b) Purchases including Switch-ins for ₹ 1 crore and above:			
<p>In respect of valid applications for ₹ 1 crore and above for Purchase/ Switch-in received at the designated official point of acceptance on a Business Day, the applicable NAV shall be as under:</p>			
Applications received upto cut-off time of 3.00 p.m. and funds for the entire amount of subscription/purchase/switch-in are credited to bank account of the Scheme before the cut-off time of 3.00 p.m. and the funds are available for utilisation on the same day before the cut-off time of 3.00 p.m.	The closing NAV of the day of receipt of application		
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Irrespective of the time of receipt of the application, where the funds for the entire amount of subscription/purchase/switch-in are not credited to bank account of the Scheme before the cut-off time of 3.00 p.m. and the funds are not available for utilisation before the cut-off time of 3.00 p.m.	The closing NAV of the Business Day on which the funds are available for utilisation before the cut-off time i.e. 3.00 p.m.		
Note:			
<ul style="list-style-type: none"> • For purchase transactions, the time of credit into the Scheme's account will only be considered, irrespective of the time of debit to the investor's bank account. • Where the application is received on a non-Business Day, it will be treated as if received on next the Business Day. • In case the Mutual Fund receives multiple applications for less than ₹ 1 Crore from the same investor for same type of transaction (i.e. subscription or switch-in) before the cut-off time, the aggregate value of which is equal to or greater than ₹ 1 Crore, such multiple applications may be (at the discretion of the AMC) be treated as a single transaction and liable to be processed accordingly at NAV applicable for transaction amounting of ₹1 Crore and above 			
c) Redemption / Switch - out			
Where a valid application is received on any Business Day at the Official Point of Acceptance	Upto 3.00 pm	the closing NAV of the same business day	
	After 3.00 pm	the closing NAV of the next business day.	
Minimum Application Amount/ Number of Units	Initial investment under a folio	For subsequent investments (i.e., Addl. purchase) under an existing folio	Minimum Redemption Amount
	Minimum of ₹5,000/- and in multiples of ₹ 1/- thereafter.	Minimum of ₹1,000/- and in multiples of ₹ 1/- thereafter.	₹ 1000 /- or equivalent no. of Units at applicable redemption price in respect of each Option or the balance in the unitholder's folio/account, whichever is lower.
Despatch of Repurchase (Redemption) Proceeds	Within 10 Business Days of the receipt of the redemption request at the designated Investor Service Center of Pramerica Mutual Fund.		
Benchmark Index	CRISIL Short Term Bond Fund Index		
Dividend Policy	The Trustee will endeavor to declare dividend subject to availability of distributable surplus calculated in accordance with the Regulations. It must be clearly understood that there is neither any assurance to the Unitholders that the Dividend will be paid regularly, nor any assurance as to the rate of Dividend. On payment of dividend, the NAV of the units under Dividend option will fall to the extent of the dividend payout and Dividend Distribution Tax u/s. 115R of the Income Tax Act, 1961 and applicable statutory levies, if any.		
Name of the Fund Manager	Mr. Mahendra Jajoo		

Name of the Trustee Company	Pramerica Trustees Private Limited											
Performance of the scheme	The Scheme, being a new fund, does not have any performance track record											
Expenses of the Scheme	<p>(i) Load Structure</p> <p>During New Fund Offer Period and Ongoing Offer</p> <p>Entry load : Not Applicable*</p> <p>Exit Load :</p> <ul style="list-style-type: none"> @ 0.25% for redemption/switch-out before 3 months from the date of allotment Nil, for redemption/switches on or after 3 months from the date of allotment <p>* SEBI vide its circular no. SEBI / IMD / CIR No. 4 / 168230 / 09 dated June 30, 2009 has decided that there shall be no Entry Load for all mutual fund schemes. The upfront commission on investment made by the investor, if any, shall be paid to the distributor (AMFI registered distributor / ARN Holder) directly by the investor, based on the investor's assessment of various factors including service rendered by the distributor.</p> <p>(ii) Recurring expenses</p> <table border="1"> <tr> <td>First Rs. 100 crores of the average weekly net assets :</td> <td>2.25%</td> <td rowspan="2">Actual expenses for the previous financial year</td> </tr> <tr> <td>Next Rs. 300 crores of the average weekly net assets :</td> <td>2.00%</td> </tr> <tr> <td>Next Rs. 300 crores of the average weekly net assets:</td> <td>1.75%</td> <td rowspan="2">Not Applicable being a new scheme</td> </tr> <tr> <td>Balance :</td> <td>1.50%</td> </tr> </table>		First Rs. 100 crores of the average weekly net assets :	2.25%	Actual expenses for the previous financial year	Next Rs. 300 crores of the average weekly net assets :	2.00%	Next Rs. 300 crores of the average weekly net assets:	1.75%	Not Applicable being a new scheme	Balance :	1.50%
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Waiver of Load for Direct Applications	In terms of SEBI circular no. SEBI / IMD / CIR No. 4 / 168230 / 09 dated June 30, 2009 there shall be no Entry Load for all mutual fund schemes.											
Tax treatment for the Investors(Unitholders)	Investors are advised to refer to the details in the Statement of Additional Information and also independently consult their tax advisors.											
Daily Net Asset Value (NAV) Publication	<p>NAV of the Scheme will be calculated and disclosed at the close of every Business Day to the Press, News Agencies and Association of Mutual Funds in India (AMFI).</p> <p>The AMC shall publish the NAVs on its Website and of the AMFI (www.amfiindia.com) and at least in two daily newspapers for every Business Day.</p>											
For Investor Grievances please contact	<p>Name and Address of Registrar</p> <p>Karvy Computershare Private Limited</p> <p>Unit - Pramerica Mutual Fund</p> <p>Address: Karvy Plaza, Street No. 1, Banjara Hills, Hyderabad - 400 034.</p> <p>Email id : customercare@pramericamf.com</p>	<p>Name, address, telephone number, fax number, e-mail i.d. of Pramerica Mutual Fund</p> <p>Mr. V. Robinson Francis, Investor Relations Officer</p> <p>Pramerica Asset Managers Pvt. Ltd.</p> <p>2nd floor, Nirlon House, Dr. Annie Besant Road, Worli, Mumbai - 400030. Tel: 91 22 6159 3000.</p> <p>Email Id: customercare@pramericamf.com</p>										
Unitholders' Information	<p>Accounts Statements:</p> <p>An account statement mentioning the number of Units allotted will be sent by ordinary post / courier / email to each Unitholder not later than 5 business days from the close of the NFO Period.</p> <p>During the Ongoing Offer, the Account Statement reflecting the Purchase / Redemption / Switch of Units shall be dispatched to the Unit holder within 10 Business Days from the date of such transactions.</p> <p>Annual Account Statement: The Mutual Fund shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement. The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme. Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated</p> <p>Annual Financial Results: The Scheme annual report or an abridged summary thereof shall be mailed (e-mailed, where e-mail id is provided unless otherwise required) to all Unit holders not later than four months (or such other period as may be specified by SEBI from time to time) from the date of closure of the relevant accounting year (i.e., 31st March each year) and full annual report shall be available for inspection at the Head Office of Pramerica Mutual Fund and a copy shall be made available to the Unit holders on request on payment of nominal fees, if any. Scheme wise annual report shall also be displayed on the website of the AMC (www.pramericamf.com) and Association of Mutual Funds in India (www.amfiindia.com).</p> <p>Half yearly portfolio to the investors: The Mutual Fund/ AMC shall publish a complete statement of the Scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one national English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located. The Mutual Fund may choose to send the Scheme portfolio to all Unit holders in lieu of the advertisement (if applicable) or as may be stipulated under the Regulations.</p> <p>Note: The Mutual Fund will offer ASBA (Application Supported by Blocked Amount) facility during the NFO, subject to the Stock Exchange(s), Self Certified Syndicate Bank(s) and other participants being ready with system to provide this facility.</p> <p>ASBA is an application containing an authorization given by the investor to block the application money in his/her specified bank account towards the subscription of Units offered during NFO of Scheme. If an investor is applying through ASBA facility, the application money towards the subscription of Units shall be debited from his/her specified bank account only if his/ her application is selected for allotment of Units.</p> <p>Please refer to the SAI for more details.</p>											

Comparison with the existing schemes, number of folios and Assets under Management (AUM) (Contd.)

The Scheme, Pramerica Short Term Income Fund, is an open ended income scheme that invests at least 65% in Debt and Money market instruments with residual maturity upto 3 years and upto 35 % in Debt and Money market instruments with residual maturity not exceeding 5 years and 3 months (with the average maturity of the Scheme's portfolio not exceeding 3 years). The following table shows the differentiation of the Scheme with the existing open-ended income / debt schemes of Pramerica Mutual Fund, namely, Pramerica Liquid Fund and Pramerica Ultra Short Term Bond Fund:

Name of the existing Scheme	Primary Investment Objective	Asset Allocation Pattern			Product Differentiation	AUM as on	No. of Folios as on	
						December 31, 2010		
Pramerica Liquid Fund	The Scheme seeks to deliver reasonable market related returns with lower risk and higher liquidity through a portfolio of debt and money market instruments.	Instruments	Indicative allocations (% of total assets)	Risk Profile	Pramerica Liquid Fund is an open ended liquid scheme which invests only in debt and money market instruments and floaters with a residual maturity of upto 91 days thereby differentiating it from Pramerica Short Term Income Fund.	380.11	507	
		Debt instruments (including Asset Backed Securities), money market instruments & floaters having a residual maturity of upto 91 days#	0-100%	Low				
		Investments in securitised debt will not exceed 20% of the net assets as at the time of purchase. Investment in debt derivatives instruments will be up to 50% of the net assets of the Scheme. Further, aggregate asset allocation including exposure to derivatives will not exceed 100% of the net assets; and that same security wise hedge positions would be excluded from the same. Presently, the scheme does not intend to invest in overseas/foreign securities.						
Pramerica Ultra Short Term Bond Fund	The objective of the Scheme is to provide reasonable returns, commensurate with a low to moderate level of risk and high degree of liquidity, through a portfolio constituted of money market and debt instruments	Instruments	Indicative allocations (% of total assets)		Pramerica Ultra Short Term Bond Fund is an open ended income scheme which aims to provide reasonable returns, commensurate with a low to moderate level of risk and high degree of liquidity, through a portfolio constituted of money market and debt instruments	561.45	489	
			Min	Max				
		Money market and debt securities including government securities, corporate debt, and other debt instruments with residual maturity less than or equal to 400 days.*	80	100				Low
		Debt instruments including govt. securities, corporate debt & other debt instruments with residual maturity between 400 days to 3 years.	0	20				Low to Medium
*In case of instruments with put options within a period of 400 days, the residual maturity will not exceed 3 years. Presently, the scheme does not intend to invest in securitised debt and overseas/foreign securities.								

Date: January 17, 2011

N.B. Data and information shall be up-to-date but in no case older than 30 days from the date of KIM.