1. **Title**

   Policy on Risk Management ("Policy")

2. **Objective**

   Risk management can be defined as the "overall process of identifying and understanding the full spectrum of an organization's risk and taking informed actions to help it achieve its strategic objectives, reduce the likelihood of failure and decrease the uncertainty of overall business performance".

   Ashika Investment Managers Private Limited is the Investment Manager to various schemes of Ashika Alterative Investments Funds (AIF). This Policy is designed to identify the risk involved in the activities, procedure and processes, carried out by Investment Manager with detailed process to identify, measure, monitor, report and manage enterprise-wide risk. The aim of the Policy is not to eliminate the risk completely but to have a structured mechanism towards risk assessment, and risk management thereby attempting to maximise potential opportunities and minimise the adverse effects of risk. The objective of Policy is to:

- To confirm and communicate the organisations commitment to risk management to assist in achieving its strategic and operational goals and objectives.
- To ensure that all significant risks to the AIF are identified, assessed and where necessary treated and reported to Risk Management Committee/Senior management / Board of Directors in a timely manner through the Risk Committee/Audit and Risk Management Committee.
- To formalise and communicate a consistent approach to managing risk for all activities and establish a reporting protocol.
- To assign accountability to all employees, Vendors and Empanelled Brokers for the management of risks within their areas of control.
- To provide a commitment to employees and to ensure that risk management is a core management capability and function.
- To review performance and effectiveness of risk assessment, reporting and risk management action on a periodic basis and the same to be used as a feedback loop.

3. **Regulatory Background**

   3.1 SEBI (Alternative Investment Funds) Regulations, 2021

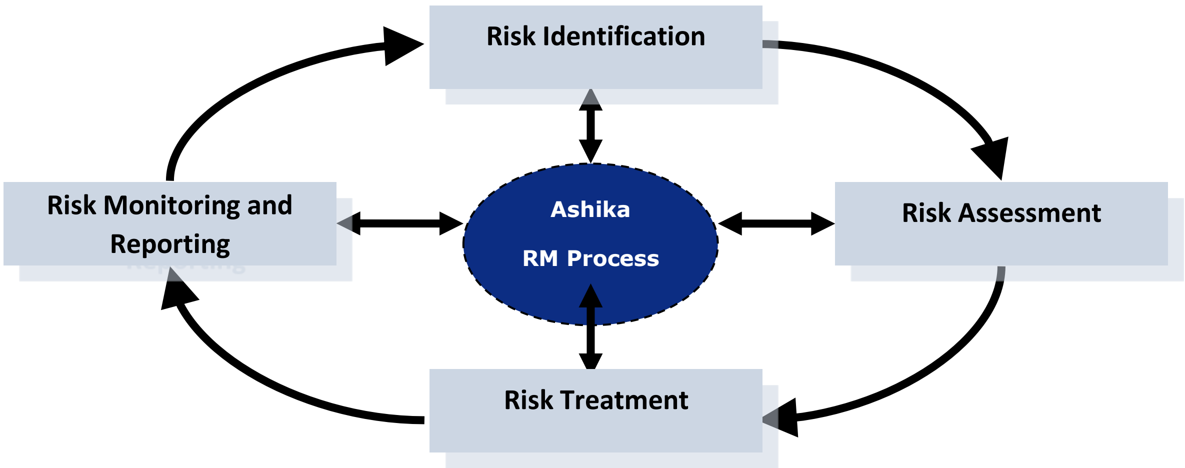
   3.2 Securities and Exchange Board of India (Alternative Investment Funds) Master Circular dated May 07, 2024

4. **Applicability**

This Policy is applicable to Ashika Investment Managers Private Limited (herein after collectively known as "("Ashika Investment Manager/ Company") who is acting as an Investment Manager to Ashika India Select Fund and Ashika India Alpha Fund, a SEBI registered Alternative Investment Fund (AIF) in relation to investment in listed equities by AIF.

5. **Implementation / Process**

The general risk management process of Investment Manager is as shown in the figure below:



A. Responsibility and Accountability

The **Board of Directors of the Investment Manager** would be accountable and responsible for the Risk Management of the organisation (AIF) in addition to the Risk Management team. Their responsibilities and accountability are given below:

I. The Board of Investment Managers.

- ⇒ Review of Risk Management Policy on an ongoing basis.
- ⇒ Overseeing the enterprise-wide implementation of Risk Management framework
- ⇒ Evaluating the procedures for measuring/managing/controlling risk as per Policy
- ⇒ Reviewing the internal audit report on Policy as prescribed by SEBI
- ⇒ Reviewing the effectiveness of the Investment Manager Risk management activities

⇒ Monitoring the emerging risks and the changes in the risk profile/appetite

⇒ Ensure Business Continuity Plan (BCP)/ Disaster Recover (DR) plan should be comprehensive and should cover business activities like Fund Management, Operational Processes (Calculation of daily NAVs, Redemption processing, Outstanding of trade settlements, Trade execution, Scheme Limits) and investor services and grievance in the event of adverse circumstances

⇒ Review and monitor all the Investment Restrictions as provided under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (AIF Regulation), and circulars issued by SEBI and other regulatory authorities from time to time including the offer document limits.

⇒ Review and monitor all the internal restrictions provided in the Private Placement Memorandum (PPM) of each AIF scheme, and as stipulated by the Investment Team from time to time.

⇒ Reviewing & monitoring of KYC Policy & transactions reported under PMLA through the Suspicious Transaction reports.

⇒ Monitor & review operating procedures periodically and effect changes if so, warranted with changes in competition, products, regulation and technology.

II. Risk Management Team

⇒ Design a Risk Management Policy

⇒ Implement enterprise wide Risk Management Framework

⇒ Conduct periodical reviews to identify, evaluate risk and provide solutions to minimise risk

⇒ Define methods, process to monitor the enterprise wide risk

⇒ Provide adequate and timely information with the help of MIS to Senior Management and Committee's

The risk team will report to Director of Investment Manager.

B. Type of Risk and Mitigants

The risks associated with the Investment Manager/AIF are broadly of categories given below:

Investment Risk & other risks which is further classified under:

i) Market Risk
ii) Performance Risk
iii) Liquidity Risk
iv) Concentration Risk
v) Credit Risk

vi) Derivatives Risk
vii) Research Risk
viii) Operational Risk
ix) Compliance Risk
x) Customer Service
xi) Marketing and Distribution
xii) Other Business Risk

a. Investment Risk

Risk associated with returns on investment where actual return will be different than expected return is called as investment risk. Investment risk factors are primary and secondary market, volatility in performance, liquidity & credit. To avoid Investment risk the Fund Manager and his investment team has investment policy set for equity, derivatives, debt, offshore investment, exchange traded fund, interest rate derivative, REITs, InvITs etc. on a regular basis.

Below are the detail points on risk associated with investment:

i) Market Risk

Adverse movement / high volatility in market prices of the investment gives rise to market risk. Decline in the market as a whole is the example of market risk. The four standard market risk factors are

- Equity, Derivatives and Debt price risk or the risk that their prices/volatility will change.
- Interest rate risk or the risk that interest rates will change.
- Currency risk or the risk that foreign exchange rates will change.
- Commodity price risk or the risk that commodity prices (i.e. grains, metals, etc.) will change.

Investment team has strong fundamental research tools and close monitoring of the developments continuously. Further efficient asset allocation and diversification to protect against market risk because different segments of the market tend to underperform at different times. Market risk cannot be eliminated through diversification alone, even though it can be reduced through hedging and arbitrage positions.

ii) Performance Risk

The portfolios would have an under performance risk due to unexpected change in market conditions. Change in price and volume, volatility in the stock markets, interest rates, currency exchange rates, foreign investment, changes in government and Reserve Bank of India guidelines and policies are the factors affecting performance risk.

The Investment Management teams monitor the performance at frequent intervals and compare sector/stock allocations in the portfolio to minimize the risk. Debt & Equity Fund Managers are responsible to monitor the performance of the schemes/strategies and guide the investment process including security selection.

Monitoring of performance will be done on a regular basis and will include comparison with peers as well as benchmark indicators. The report will be placed at the Investment Team and Board Meeting of Investment Manager on a periodical basis indicating the performance of the schemes. Additionally, performance may be monitored using risk adjusted performance measurement like Sharpe Ratios, Treynor Measures and Sortino Ratios etc. and exposure arising between the actual management portfolio and the benchmark portfolio in comparison with peer group schemes. Further Investment Manager will adhere to rules and regulation of Securities & Exchange Board of India (SEBI) for performance disclosure and advertisement.

Investment Manager may consider using portfolio management tools for risk measurement, in keeping with international trends. These tools will help to manage risks more effectively, and assist in carrying out the following analytics such as:

- Quantification of exposure using measures such as Value at Risk (VaR), duration, and tracking error.
- Risk benchmarking, i.e. the exposure arising between the actual managed portfolio and the benchmark portfolio
- Stress testing and back testing of exposure calculations. e.g., Sharpe's Ratio, Treynor Measures, beta, FAMA decomposition, VaR, etc.

iii) Liquidity Risk

Liquidity Risk is an inherent part of fund management business. The risk of non-execution of sale/purchase order due to low volumes is liquidity risk. Different segments of the financial markets have different settlement cycles/periods and such settlement cycles/periods may be impacted by unforeseen circumstances creating liquidity Risk. Delays or inability to meet redemptions will lead to liquidity risk.

To avoid liquidity risk, the volatility and timing of redemptions will be constantly monitored and accordingly the strategies will be modified from time to time. Cash & cash equivalents will be kept at the optimum level. Liquidity of securities will be given prominence and portfolios will include fairly good portion of liquid securities. It will be contained by efficient Asset Liability Management.

The AIF schemes may borrow subject to fund and subject to a maximum limit, as prescribed by the SEBI.

Further the AIF has put restriction on redemptions to ensure proper liquidity for the AIF. To redeem its units, any investor must provide the AIF with at advance written redemption notice as define in PPM of the relevant Scheme.

If as regards any redemption day as mentioned in respective scheme, the Investment Manager receives such redemption requests, the fulfilment of which would result in the assets of the Scheme to fall by such percentage as defined in PPM of respective Scheme, the Investment Manager will fulfil the redemption requests of all such unit-holders pro-rata to their capital contributions, in such a manner that the Scheme retains assets as defined in the respective PPM of the Scheme. In such a case the Investment Manager shall promptly fulfil the unfulfilled extent of the redemption requests of the concerned unit-holder(s) within the time period as defined in the PPM of respective scheme.

The Investment Manager may delay or suspend redemption of Units in the circumstances as mention in the PPM of the respective Scheme keeping in mind the best interests of the contributors (“Suspension Period”). Few of the circumstance are:

- any period when any stock exchange, market or trading facility on which a substantial portion of the Scheme’s investments are traded is closed, otherwise than for ordinary holidays, or during which dealings are substantially restricted or suspended;
- any period when as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the AIF and the Investment Manager, disposal of the assets of the Fund is not reasonable or normally practicable without being seriously detrimental to contributors’ interest;
- any period when any emergency exists as a result of which disposal by the investments which constitute a substantial portion of the Schemes’ assets is not reasonably practicable;
- any period when for any reason the prices of a material portion of the investments of the Scheme cannot be reasonably, promptly or accurately ascertained;
- any period when proceeds of the sale or redemption of the units cannot be transmitted to or from the Scheme’s account;

iv) Concentration Risk

Concentration risk is the potential for a loss in value of an investment portfolio when an individual or group of exposures move together in an unfavorable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely. It results in inconsistent / low returns vis-à-vis similar schemes in the market leading to low investor confidence.

Following risk management measure to be adhere to avoid concentration risk:

- All SEBI regulations with regard to investment limits must be adhered to at the time of making the investment.
- The Investment Team should review the portfolio on a regular basis to ensure compliance with regulations.
- The compliance officer should monitor the portfolio and review all exceptions.
- The Investment Team should review on a daily or weekly basis the actual portfolio vis-à-vis the model portfolio.
- The Investment Team should have a stated strategy and action plan for rebalancing the portfolio.

v) Credit Risk

Investment Manager may invest is surplus funds in liquid mutual funds or bank deposits.

The risk management process to be followed by Investment Manager while investing will be as under:

a) UNITS OF MUTUAL FUND:

Investment Manager can invest the surplus funds in AAA/A1+ rated units of Money Market Mutual Fund schemes / Liquid Schemes, by whatever name such schemes are defined, with portfolio having average <u>AUM of INR. 1,000 crore or more</u> for the scheme during the immediately preceding quarter as declared by AMFI in accordance with applicable SEBI guidelines. Investment decisions in mutual funds would be guided by size of scheme, historical return, volatility/consistencies in return etc.

EXPOSURE LIMITS:

- Investment Manager can invest 100% of its surplus fund in Money Market Mutual Fund Schemes / Liquid Schemes, Liquid Plus Schemes of Mutual funds.
- Investment in a single mutual fund scheme should not exceed 10% of the AUM or INR.50 crore whichever is lower.

  However, to ensure better risk management, Chief Executive Officer of Investment Manager is authorized to vary terms of exposure limits.

b) FIXED DEPOSITS/CDs:

Investment Manager can invest in Fixed/Term deposits in AAA/AA/A1+ rated instruments issued by scheduled commercial banks.

EXPOSURE LIMITS:

- The total limit for investing in FDs of PSU banks is 100% of surplus funds.
- Investment in FDs in each bank will be restricted to INR 100 crore or 15% of AUM, whichever is lower.
- Investment in FDs of each Non-PSU bank will be restricted to INR 100 crore or 10% of AUM, whichever is lower.

vi) Derivatives Risk

Derivatives security is a security whose price is dependent upon or derived from one or more underlying assets. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds.

Trading in derivatives has the following risks:

- An exposure to derivatives in excess of the hedging requirements can lead to losses.
- An exposure to derivatives when used for hedging purposes, can also limit the profits from a genuine investment transaction
- Efficiency of a derivative market depends on the development of a liquid and efficient market for the underlying securities.
- Derivatives carry the risk of adverse changes in the market price.
- Illiquidity Risk i.e. risk that a derivative trade cannot be executed or reversed quickly enough at a fair price, due to lack of liquidity in the market.

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involves uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. 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.

To avoid Derivative risk, investment team has strong investment policy with restriction on investment in instrument like Derivative. Investment team monitors derivative exposure in portfolio on daily basis and follow the all guidelines as per SEBI and as per internal norms.

vii) Research Risk

Risk for non-performance of the AIF caused due to Research department and its employees / analyst can be one of the reasons.

In order to mitigate the same, Investment Manager should document the rationale for an investment decision as required by the SEBI regulations. The Investment Manager should have a dedicated research team. The Investment Manager should hire qualified and experienced portfolio managers, research analysts and dealers with adequate experience in the industry. They should be provided continuous training to understand new products, skills, markets and sectors. The fund management and research teams should have access to research from multiple sources: both internal and external.

b. <u>Operational Risk</u>

Operational Risk is a risk of loss resulting from inadequate or failed internal processes, people and systems. This will be managed with formation of policies and back-up systems. Risk Management and Investment Committee monitor the entire operations on a regular basis. For e.g. a workflow has been defined to execute the dealings, segregations of duties, maker checker concept etc. The Policy is in place containing detailed-guidelines for empanelment of brokers. No trading will be done with non-empaneled brokers. All the trades will be done on recorded telephone lines/emails and such mechanism. Dealing room policy will be followed. All the equity trades will be done through brokers registered with exchanges, which offer the settlement guarantee via the respective clearing corporations.

Adequate internal controls have been put in place to minimize/mitigate the operational risk namely integrated front office/back office systems (for fund management, dealing, trade confirmation and settlement) such as Straight Through Processing (STP) software thereby eliminating manual intervention, maker-checker concept for transactions, verification of deal slips with the contract notes received from broker, thereby ensuring that the rate on deal slips tallies with the contract notes or any other information supplied by broker, monitoring of outstanding confirmations, settlements and payments, access controls and firewalls, decision support capabilities, document requirements for investments in schemes from the investor etc.

The Investment Manager will develop second line for key positions to meet any unforeseen situations. For this necessary periodical training will be given to the identified staff.

Additionally, operational risk shall be monitored as per details given below:

i. Pre-trade compliance and limit checking as per the regulatory requirement through the system.
ii. Exception reporting through the internal platform as developed by the Investment Manager from time to time.

iii. Reconciliation namely bank reconciliation, holding reconciliations, etc. shall be reviewed on a monthly basis to monitor the risk involved in respect to financial impact.

iv. Suspicious transactions report shall be reviewed on a monthly basis and reported to senior management of Investment Manager. or Audit and Risk Committee of the Investment Manager.

v. Valuation of instruments as per the valuation policy which prepared & approved by Valuation committee as per valuation norms prescribed by SEBI from time to time.

vi. Policy on Dealing Error should be followed to reduce dealing errors and hence impact on the scheme / fund invested

vii. Setting up of parameters such as asset allocation limits, counter parties, securities, associate classifications and authority levels

viii. Operating procedures will have reconciliation activities and their frequency for different activities including:

- ⇒ End-of-day broker confirmations with records of deals
- ⇒ End-of-day reconciliation of positions with custodian data
- ⇒ At least once a week complete reconciliation of fund accounting system records with custodian records
- ⇒ Daily reconciliation between Mutual Fund and others (banks, counterparty, etc.).

To address issues of security and virus protection, Investment Manager has put required firewalls, access controls and appropriate virus control procedures for its systems and servers.

Investment Manager will establish controls to mitigate risks settlement problem, NAV and Fund pricing error, inaccurate financial reporting, fraud, obsolete system.

Further to cover the financial impact of Operational Risk, Ashika Investment Managers Private Limited will obtain insurance policy from a General Insurance Company to suitably covers the professional indemnity of Investment Manager.

The Investment Manager should carry out due diligence on R&T agent and custodians before selection. The service level agreements (SLA) should prohibit the misuse of client information. The Investment Manager should conduct periodic audits of R&T and custodian activities.

The Investment Manager should periodically review the arrangement with the R&T agent and the custodian, and also survey other service providers in the market.

c. **Compliance Risk / Regulatory Risk**

Compliance Risk is a risk of not complying with regulatory framework and includes non-compliance of internal limits. All the statutory rules and regulations will be adhered to under all circumstances. Regulatory risk is the risk that a change in laws and/or regulations will materially impact a security, business, sector or market. New or modified regulations and new and more complex asset classes, disclosure requirements, investment strategies and growing investor expectations in industry requires close attention to regulatory changes impacting Investment Manager. Investment team and operations team will ensure the compliance at their levels and will monitor the same with the support of software systems capable of monitoring regulatory limits. Compliance and Risk Management team will ensure double checking (Maker and Checker Concept) for adherence to the limits and guidelines prescribed. In order to adhere to SEBI restrictions and prudent investment criteria, there would be sub limits / trigger limits and regular compliance approvals would be sought while investing above the set limits.

Reference to be done to SEBI Restriction as prescribed in SEBI Regulations, SEBI Circular and changes thereto from time to time, respective PPM and Investment Policy for various limit and sub limit for respective securities / schemes/strategies.

The employees and director of Investment Manager will adhere to personal trading policy and a code of conduct for employees. This is to prevent trading based on unpublished price sensitive information, front running etc.

d. **Customer Service**

Customer risk include failure to:

i. correctly and timely process of investor transactions
ii. meet regulatory standards
iii. satisfactorily meeting investor complaints/ grievances and queries
iv. calculate correct income and distribute it on time
v. provide comprehensive and accurate financial information to investor
vi. identify fraudulent transaction

Customer risk also includes incorrect calculation of commission for agents. Customer risk is connected with the investor services and Registrar and Transfer Systems.

To avoid customer service risk, the Investor Service Division and the Registrar & Transfer Agent (R&T Agent) should have the following functionality:

⇒ Automatic generation of customer confirmations
⇒ Maker-checker authorizations
⇒ Workflow based processing

- ⇒ In-built checks on price and units
- ⇒ Flagging units that are pledged
- ⇒ Interface capabilities with fund accounting system
- ⇒ Automatic calculation of income and redemption amounts
- ⇒ Automatic calculation of agent commissions with in-built checks for accuracy
- ⇒ Automatic printing of confirmations, statements, income and commission vouchers
- ⇒ Exception generation and reporting
- ⇒ Auto-update of account information
- ⇒ Interface capabilities with sales and marketing database
- ⇒ Support of customer and account relationship data model
- ⇒ In-built checks to ensure all statements are printed.

Investment Manager has SLA (Service Level Agreement) with R&T agent which defines service levels with regard to Investor and includes liability clause in case of errors and omission. Registrar and Transfer Agent, has to have a comprehensive insurance Burglary, equipment breakdown, errors and omissions, etc. for all its AIF clients as per regulatory requirement. The AIF should purchase insurance to cover customer litigation. The Investment Manager has documented Investor grievances handling mechanism.

e. Marketing and Distribution Risk

Marketing and distribution risk include non –compliance with regulations with respect to new product development, loss of market reputation and poor customer service. Investment Manager will follow below measures to avoid such risk:

i. A new scheme/strategy should adhere to all required SEBI regulations which require every new scheme to be approved by the Board of Directors before filing with SEBI. Investment Manager has a new product process in place.

ii. All new AIF schemes have to obtain clearance of the compliance officer of Investment Manager and the SEBI before they are launched. Comprehensive market research is undertaken by the Investment Manager before the launching of a new product in order to assess the product’s viability in the market.

iii. The Compliance & Risk division should vet all marketing material and brochures before they are given to the distributors.

iv. The AIF / Investment Manager should use the services of only those distributors who have obtained required certification. The AIF / Investment Manager should empanel distributor based on specific criteria, including certification criteria.

f. Other Business Risk

Business risk includes following risk:

i. Policies and procedures:

Policies and procedural risk related with internal policies and manuals of the organization. Policies include Prohibition on insider trading, internal procedures like execution of deals with brokers etc.

To control policies and procedural activities, AIF/Investment Manager should have strong internal policies and procedures that should be documented. The AIF / Investment Manager should have a well detailed and comprehensive compliance manual as required by SEBI regulations, and an operation manual, which are accessible to all employees.

All new employees handling critical task should be made to undergo compliance training.

ii. Natural Disaster and Business Contingencies:

This is related with risk to perform business activities in case of natural disaster and business contingencies.

AIF/ Investment Manager and their Registrar and Transfer (R&T) agents and custodians, should have an off-site back up facility and a Business Contingency Plan that is tested and evaluated on a regular basis. The business contingency plan should be comprehensive and should cover information technology, infrastructure and personnel requirements, Access to software and hardware, etc. Such a contingency plan should allow the Investment Manager to perform, at the bare minimum, the critical functions of AIF operations on "Day 1". These should include:

- Calculation of daily NAVs
- Redemption processing
- Investment related activities
- Outstanding trade settlements.

iii. Third party Risk:

Third party risk refers to services provided by third party entities such as registrar and transfer agent, Custodian, and any other vendor. Such risk includes R&T agent misuses access to client information, or gets bought out by another company / customer or goes out of business, custodian goes out of business and further Customer information gets shared with competitors leading to disruption in operations, financial loss to investors etc.

To control third party risk, the AIF / Investment Manager should carry out due diligence on R&T agent and custodians before selection. The service level agreements (SLA) should prohibit the misuse of client information. The / Investment Manager should conduct periodic audits of R&T and custodian activities.

The AIF / Investment Manager should periodically review the arrangement with the R&T agent and the custodian, and also survey other service providers in the market.

iv. Transactions with associates

There can be risk of transaction with associate which may not be in the interest of investor. To safeguard this risk:

⇒ All SEBI regulations regarding restrictions on associate transactions and investments as well as requirements for disclosure must be adhered to.

⇒ All SEBI regulations regarding the execution of the deal at the market price and the documentation of justification for the inter-scheme deal must be adhered to.

⇒ The inter-scheme deal should be independently verified by Compliance.

Apart from above all points, Risk Management Team will follow below mentioned process.

C. Risk Management Process

The risk management process would involve the following:

- Identify the Risk involved with the help of activity review/process review, monitoring investment restrictions through different reports, Performance review with peer group schemes on a monthly basis, market/credit risk using research, liquidity monitoring using data from R&T agent, Quality check of transactions through reporting etc.
- The risk identified then will be broadly categorized as given above based on likely impact on the process/activity/business.
- Risk would be measured using tools
- Manage risk defining internal parameters, restrictions and monitoring the adherence to the defined risk caps/norms.
- Improvements/changes to be done for corrective and preventive actions.
- Review process on effectiveness of risk assessment and processes

6. Responsibility

The Investment Manager shall be responsible for the overall risk management function of the AIF. The Director will be responsible for the overall risk management function of the Investment Manager. The review of risk management systems of AIF business shall be a part of internal audit and the auditors shall check their adequacy on a continuing basis.

7. Violation

If anyone is found in violation of this Policy, he/she will be liable for appropriate action by appropriate authority.

8. Policy Review

This Policy shall be reviewed as and when there are any regulatory changes are introduced or as and when it is found necessary to change the Policy due to business needs. However, Policy shall be reviewed at least annually. The Board of the Ashika will be approving authority for the Policy.

9. Deviation to Framework

Major deviations to the Policy shall be approved by the Board; all other deviations shall be approved by CIO and Compliance officer of Investment Manager.

10. Power to Remove Difficulties

In order to remove any difficulties in the application or interpretation of this Policy, the Compliance Officer of Investment Manager shall have the power to issue clarifications.

11. Effective Date

This Policy supersedes the earlier policy on this subject matter. This Policy shall be effective from 20th January, 2024.