



Principal Pnb Asset Management Company Pvt. Ltd.
(CIN : U25000MH1991PTC064092)

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NOTICE-CUM-ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (SID) AND KEY INFORMATION MEMORANDUM (KIM) OF PRINCIPAL BANK CD FUND (An open ended Debt Scheme) (NO. 09/2017)

NOTICE IS HEREBY GIVEN to the Unitholders of Principal Bank CD Fund, an open ended Debt Scheme of Principal Mutual Fund, that the Board of Directors of Principal Pnb Asset Management Company Private Limited (PAMCL) and Principal Trustee Company Private Limited (Trustees) have approved the merger of Principal Bank CD Fund (Transferor Scheme) into Principal Short Term Income Fund (Surviving Scheme). Securities and Exchange Board of India (SEBI) too has conveyed it's no objection to the same vide its letter no. OW/P/2017/7242/1 dated March 30, 2017.

The merger shall be effective after the close of business hours on May 19, 2017 (Record Date or Effective Date). Accordingly, the Transferor Scheme would cease to exist from the close of business hours on May 19, 2017 and the NAVs of the Surviving Scheme, shall continue to be published from May 22, 2017 onwards post giving effects of the merger. The Growth and Dividend Options under Principal Bank CD Fund shall merge with the respective Growth and Dividend Options under Principal Short Term Income Fund.

Consequent to aforesaid merger, there will be no change in the name or other attributes of the Surviving Scheme and accordingly, interest of unitholders of Surviving Scheme is not adversely affected. The investment objective, asset allocation and investment pattern, annual scheme recurring expenses and all other provisions as contained in the Scheme Information Document ('SID') of the Surviving Scheme will remain unchanged post the merger. The proposed merger will not be treated as change in fundamental attributes of Surviving Scheme in terms of SEBI Circular No. Cir/IMD/DF/15/2010 dated October 22, 2010. Thus, no new scheme will come into existence as a result of the aforesaid merger.

In this regard, individual communication has been dispatched to Unitholders of Principal Bank CD Fund, existing in the Register of Unitholders of our Registrar & Transfer Agents, M/s. Karvy Computershare Pvt. Ltd. Such of those Unitholders who do not receive the communication can contact the Registrar - M/s. Karvy Computershare Private Limited.

The Unitholders who may not be in agreement with the proposed merger can opt to redeem or switch their investment from the Transferor Scheme without payment of any exit load, during the notice period indicated herein. Should the unitholder choose to redeem or switch during the notice period, the applicable NAV would be based on the date/time of receipt of the application for redemption/ switch during business hours on a business day. Such redemption request should be submitted at any of the Official Points of Acceptance closest to you (*list available at www.principalindia.com or call on 1800 425 5600*). The redemption proceeds shall be dispatched within 10 business days from the date of acceptance of redemption request.

The Notice period of the exit option shall commence from April 20, 2017 and conclude on May 19, 2017 up to 3.00 p.m. ("the Notice Period"). The exit option is not available to the unitholders of the Surviving Scheme since there is no change in the fundamental attributes of the Surviving Scheme.

In case of unitholders who had registered for special products SIP/STP/SWP in the Transferor Scheme and decide to continue to remain invested then such registration for SIP/STP/SWP will be processed under the Surviving Scheme for balance tenure / installments as per terms and conditions of the respective special products subsequent to merger. Further, no fresh subscriptions, including switch-ins and registration for systematic transaction i.e. Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP) etc. will be accepted in the Transferor Scheme with effect from April 20, 2017.

The units allotted to the unitholders in the Surviving Scheme shall be treated as fresh subscription in the Surviving Scheme. However, the date of allotment at the time of subscription in Transferor Scheme shall be considered as the allotment date for the purpose of applicability of the exit load period at the time of redemption of such units in Surviving Scheme.

Kindly note that an offer to exit from Transferor Scheme is merely optional and is not compulsory. No action needs to be taken by Unitholders, who have no objection to the proposed Merger, and it would be deemed that such Unitholders have consented to the same. The continuing Unitholders of Principal Bank CD Fund as at the end of business hours on May 19, 2017 will be allotted units (basis the NAV of May 19, 2017 of Principal Short Term Income Fund), in lieu of the value of their existing units in the Principal Short Term Income Fund and consequently terms, conditions and features of Principal Short Term Income Fund shall prevail. An account statement reflecting the same shall be issued to the continuing unitholders.

The exit option will not be available to unitholders who have pledged or encumbered their units in the Transferor Scheme and the PMF has marked pledge / lien on units in its record unless the release of pledge / lien is obtained and communicated to the Fund / Registrar, Karvy Computershare Private Limited before submitting redemption / switch-out requests. In case the lien is marked on the units held in Transferor Scheme, then the units allotted in the Surviving Scheme pursuant to merger will also be automatically subject to lien in Surviving Scheme.

The said merger shall be effective post the closure of the business hours on May 19, 2017 (Assuming May 19, 2017 to be a business day)

Brief note of tax impact on account of the Merger

- **Unitholders of Principal Bank CD Fund who choose to exit/redeem during the notice period**

For tax implications in the hands of unitholders of Principal Bank CD Fund who choose to exercise exit option, kindly refer the Scheme Information Document/Statement of Additional Information.

In case of NRI investors, tax would be deducted at source in accordance with applicable tax laws for redemption / switch-out of units from the consolidating scheme and the same would be required to be borne by such investors only.

- **Unitholders of Principal Bank CD Fund who agree with the proposed merger and choose to opt for units of Principal Short Term Income Fund in lieu of units of Principal Bank CD Fund:**

- a. As per section 47(xviii) (as amended by Finance Act, 2015) of the Income-tax Act, 1961, consolidation/ merger of two or more equity oriented mutual fund schemes or two or more non-equity oriented mutual fund schemes has been made tax neutral.
- b. Consequently, the allotment to unit holder of units in consolidated/ Surviving scheme (i.e. Principal Short Term Income Fund) in exchange for cancellation of units held in consolidating/ Transferor scheme (i.e. Principal Bank CD Fund) is not treated as a taxable transfer.
- c. Please note that the aforesaid tax neutrality on consolidation/merger of mutual fund schemes is subject to the following:
 - i. Consolidation/merger should be in accordance with SEBI (Mutual Funds) Regulations, 1996.
 - ii. Units are held as 'Capital assets'. The amendment is silent where the units are held as 'stock-in-trade'.

Further more, the cost and the period of holding of units of the consolidating/ Transferor scheme (i.e. Principal Bank CD Fund) shall be included to reckon the cost and the period of holding of the units in the consolidated/ Surviving scheme (i.e. Principal Short Term Income Fund).

The above briefly provides the tax impact on the unit holder on account of the Merger. The same should not be construed as tax advice from Principal Pnb Asset Management Company Private Limited. As such, unit holders are strongly advised to consult their Tax Advisors for a detailed tax implication, specific to their transaction.

For further information/assistance do visit us at www.principalindia.com or e-mail us at customer@principalindia.com or call on our Toll Free: 1800 425 5600.

For Principal Pnb Asset Management Company Pvt. Ltd.

Place : Mumbai

Date : April 18, 2017

Sd/-

Authorised Signatory

**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**