

September 28th, 2017

Dear Friends,

Subject: Quarterly Brokerage Communication – Q3 FY 2018

It has been a splendid year so far for the Industry. We are increasingly seeing growth in overall assets and retail penetration in equities especially the growing SIP book. This certainly deserves recognition for all the efforts put in by you – 'The Distribution Community' the relentless hard work in reaching out to investors and communicating long term benefits of investing through mutual funds which are certainly paying off. Although early signs, but we are also seeing new distributors joining this business after a long haul, this is also very encouraging as our distribution penetration has been fairly concentrated and there is no doubt we need more and more people in this business to cater to a diverse population like ours. It is indeed heartening that whatever we have been prophesizing over the years about financialization of savings, formalization of the economy, increased tax surveillance and crackdown on parallel economy, structurally lower interest; everything has finally begun to play out and how!

It is a pleasure to inform you that we have clocked new milestone by crossing USD 4 billion of AUM as 30th August 2017. Your faith in our AMC, its philosophy and the insightful QGLP process have been the single guiding force that has led to increased acceptance from investors.

Summary of our Mutual Fund Scheme wise AUM is as follows:

Scheme	AUM (As on 22 nd September 2017) in cr
F-25	818
F-30	1389
F-35	9288
FLTF	664
DEF	1223

(MOAMC Equity AUM as on 22nd Sep is 28043 Crores, which includes PMS AUM of 13513 Crores and AIF AUM of 1148 Crores & MF AUM of 13382 Crores)

While, we are delivering well on performance across our schemes, we have also expanded our investment team this quarter with the arrival on board of Mr. Akash Singhanian who joins us from DHFL Pramerica to exclusively manage our mid cap fund – MOST Focused MidCap 30. While the performance of this fund has been stellar over the 3 years since inception; it has been inconsistent in the last year or so. With focused attention and a dedicated manager for each strategy now, we are quite certain that we will be able to deliver wealth creation in our investors' portfolios.

Please see below for our performance highlights so far:

Scheme Name	1 Year	3 Year	Since Inception
Motilal Oswal MOST Focused Multicap 35 Fund	22.51	23.64	31.07
Nifty 500	14.07	10.01	15.00
Alpha	8.44	13.63	16.07

Scheme Name	1 Year	3 Year	Since Inception
Motilal Oswal MOST Focused Midcap 30 Fund	6.07	18.08	28.77
Nifty Free Float Midcap 100	14.65	16.42	26.39
Alpha	-8.58	1.66	2.38

Scheme Name	1 Year	3 Year	Since Inception
Motilal Oswal MOST Focused 25 Fund	15.78	13.55	17.17
Nifty 50	11.82	6.89	11.09
Alpha	3.96	6.66	6.08

Scheme Name	9 Months	1 Year	Since Inception
Motilal Oswal MOST Focused Long Term Fund	35.38	24.98	20.16
Nifty 500	24.72	14.07	6.92
Alpha	10.66	10.91	13.24

Scheme Name	3 Months	6 Months	1 Year/Since Inception
Motilal Oswal MOST Focused Dynamic Equity Fund	3.09	7.82	15.15
CRISIL Balanced Fund - Aggressive Index	2.03	6.56	10.53
Alpha	1.06	1.26	4.62

Data as on 27th September 2017

* Less than 1 year Absolute returns, Greater than or Equal to 1 year Compound Annualized returns

We are pleased to enclose herewith the new brokerage structure for Q3 2017-18. As you know brokerage structures are directly linked to 'Distributable TER (Total Expense Ratio)' which again depends on the size of the funds and corresponding economies of scale for a growing fund like ours. The TER has to be adjusted downwards as per prescribed regulations. Therefore, with successively each of the funds crossing certain thresholds the incremental sharing of Distributable TER amongst our partners has to be aligned based on potential as well as performance. We are ideally not in favor of making changes to pricing structures but being a relatively young AMC we have had a spate of instances where schemes are crossing multiple AuM thresholds and hence it compels us to review the numbers. We do not expect any further changes through this financial year except anything caused by regulatory changes or adjustments to B15 commissions which are hitherto unavoidable.

In the light of current practice of 'constant' sharing life time perpetual trail, it is important and critical for us as mutual partners to arrive at a fair sharing of expense ratio to sustain and build our business models. At Motilal Oswal AMC we do have further constraints because we have a single philosophy and very limited suite of products with limited capacity on fund size. Our investment universe is fairly limited and eventually at some point in time we will have to review the strategy for taking in inflows on sustained basis. Also, our entire group corpus is fully invested in our own funds and to that extent it is worth appreciating that unbridled expansion of corpus resulting in dilution of returns will hurt us as much if not more than our investors and channel partners. Keeping the narrow strategy and limited corpus in mind, we have to be clear that we are not in the business of managing unlimited corpus at any margin and any return. We are in the business of managing a finite corpus with respectable margins and good relative performance. Hence calibrating our margins, our corpus and keeping an eye on performance is critical. Our endeavor is to deliver sustained superior 'risk-adjusted' returns over long term; this is a unique business where our interests are directly linked to those of the investors'.

Coming to B 15, we are reducing the B 15 rates w.e.f 1st October 2017 essentially due to large mobilizations from B 15 locations in the recent past and thereby the payouts exceeding the income from the additional TER which SEBI has permitted to charge on regular

option of the respective schemes. Essentially, the practice is to net out the B 15 charge and payouts before the end of financial year and cannot be rolled over to next financial year. Thus, any fallout on excess commission paid during the year would have to be shelled out by the AMC compensating the scheme directly. We are monitoring the flows and income block regularly and at the earliest possible opportunity we will restore these payouts to pass on the benefits to our partners.

In light of the new GST regime, I urge you to get in touch with your relationship manager at MOAMC and understand the procedure to be followed regarding GST invoicing and related credits.

For any queries, please reach out to your relationship manager or email me at akhil.chaturvedi@motilaloswal.com

Wish you a great year and season's greetings in advance.

Best Wishes



Akhil Chaturvedi
EVP & Head – Sales & Distribution

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

Motilal Oswal Asset Management Company (MOAMC)
Mutual Fund Distributor Revenue Structure
Period: October - December 2017

Trail Commission (in bps per annum) / B-15 Upfront Incentives / Upfront incentive for SIP & STP

Scheme	Trail Commission 1 st Year & Onwards	B-15 Upfront	Upfront for SIP & STP	Trail Commission for SIP & STP (from first year and onwards.)
MOST Focused Long Term Fund (ELSS)	110	75	75	100
MOST Focused 25 Fund	110	50	50	100
MOST Focused Midcap 30 Fund	100	75	50	100
MOST Focused Multicap 35 Fund	100	50	50	100
MOST Focused Dynamic Equity Fund	100	50	50	100
MOST Ultra Short Term Bond Fund	60	Nil	Nil	60

- The above rates are exclusive of GST (Goods and Services Tax). The liability of paying the GST is on the Distributor. The reimbursement of the GST shall be claimed by the distributor by filing the applicable GST returns and submitting a valid Invoice to MOAMC. The AMC shall reimburse the GST only after matching the filed return with the GSTN. The GST registration number should be mandatorily mentioned on the Invoice. In case there is any change in the process of claiming reimbursement of GST, MOAMC will send a separate communication.

Terms and conditions:

- The document is confidential and should not be shared with any person or institution not intended to receive this.
- Above mentioned rates are applicable only for empanelled distributors with MOAMC.
- Commission is payable only when ARN code is mentioned in the relevant column in the application form (Broker and Sub-broker code).
- Commission as per above structure is payable only on Regular Plan of the Schemes. As per SEBI regulations, no commission will be paid on the Direct Plan of the Schemes.
- Trail commission payout is calculated on an annualized basis and is payable on a monthly basis.
- The Trail commission for business mobilized and activated till the end of a month will be paid monthly by 10th of the following month under normal circumstances.
- Trail commission will be paid out only when the amount of commission payable is Rs. 100 or more.
- The Distributors shall adhere to SEBI circular dated June 26, 2002 on Code of Conduct and SEBI Regulations and ensure that no rebate is given to investors in any form.
- MOAMC reserves the right to amend / change commissions any time at its discretion without any prior notice.
- The decision of MOAMC will be considered final and binding to in case of disputes, if arises.

Confidential

- B-15 upfront incentive is subject to full claw back for redemption within 1 year from date of inflow.
- B15 locations are defined as all other locations except T15 locations which are Mumbai (including Navi Mumbai), Delhi NCR, Lucknow, Chandigarh, Kolkata, Chennai, Bangalore, Hyderabad (including Secunderabad), Pune, Ahmedabad, Baroda, Surat, Jaipur, Panjim, and Kanpur. Any NRI business shall not be entitled for B15 incentives and will be treated as T15 business.

SIP /STP specific:

- SIPs upfront incentive will be at the SIP registration on a cumulative amount provided. Upfront payout is subject to an SIP Installment amount of Rs. 10000 or below and a minimum of 12 & maximum of 36 installments only. The payout for SIP/STP of more than 36 installments will be restricted to 36 installments only.
- Installment amount of Rs. 10001 or above SIPs will be treated as lumpsum purchase and normal trail commission rates will be applicable for payouts.
- The SIPs incentive payout is subject to claw back on proportionate basis for the number of SIPs Months / installments on which incentive is paid and SIPs not honored.
- SIP/STP upfront incentives would be paid after three clear installments.

Any significant change in the Total Expense Ratio (TER) or treatment of applicable taxes by any regulatory diktat which results in change of TER or treatment of applicable taxes on entire outstanding AuM irrespective of its vintage may result in revision in brokerage rates on a retrospective basis as receivable from investor on entire AuM may change.

**Mutual Funds Investments are subject to market risks, read all scheme related documents carefully.
For Scheme specific risk factors, please refer to respective SID or visit www.motilaloswalmf.com**