

Sahara Income Fund

**ABRIDGED
ANNUAL
REPORT**
2011-12



www.saharamutual.com



MUTUAL FUND UPDATES FOR THE BENEFIT OF INVESTORS

- ❖ **KNOW YOUR CUSTOMER (KYC):** SEBI has mandated a unified KYC in the securities market. This is effective January 1, 2012. This activity will be undertaken by KYC Registration Agency(s) (KRA) as notified by SEBI. The new common KYC regulation mandates all intermediaries should complete In-Person Verification (IPV) for all clients. The unified KYC once done will be valid for all the SEBI registered intermediaries viz. Mutual Funds, Portfolio Managers, Depository Participants, Stock Brokers, Venture Capital Funds, Collective Investment Schemes, etc. If you have not completed your KYC till now, kindly take immediate steps to get it completed as per the new KRA format applicable from 1.1.2012. In case you have already completed your KYC, you are requested to kindly provide additional information & documents as per the new KRA format for enabling to complete your In Person Verification (IPV) and KYC process.
- ❖ **REGISTRATION OF NOMINATION:** Registration of nomination will facilitate easy transmission of units to the nominee(s), especially if the unit holding is single. Investors with single holding with no nomination are requested to obtain nomination form for registration of nomination.
- ❖ **MINOR RELATED INVESTMENTS:** There shall not be any joint accounts with minor as the first or joint holder. Nomination is not allowed in a folio held on behalf of a minor.
- ❖ **MAILING OF ANNUAL REPORT OR ABRIDGED SUMMARY:** In order to bring cost effectiveness in printing and dispatching the annual reports or abridged summary and as a green initiative measure, unit holders are requested to provide their email addresses to enable the Abridged Annual Report and related documents to be forwarded by email. For those email addresses which are already registered with us, the scheme annual accounts or abridged summary would be sent to these email addresses and not as physical copies. The investors who wish to obtain the Scheme Annual Accounts or Abridged summary etc. in physical form, may specifically communicate in writing for the same
- ❖ **CONSOLIDATED ACCOUNT STATEMENT:** (a) Unit holders are being issued consolidated account statement(CAS) for each calendar month to the investors in whose folios transaction(s) has/have taken place during that month. (b) A Consolidated Account Statement (CAS) every half yearly (September/ March) is issued, on or before tenth day of succeeding month, detailing holding at the end of the six month, across all schemes of all mutual funds, to all such investors in whose folios no transaction has taken place during that period:
- ❖ **REGISTRATION OF MULTIPLE BANK ACCOUNTS FOR PAY-IN AND PAY-OUT:** Registration of upto five bank accounts in case of individuals and HUF and upto ten bank accounts in case of non-individuals is now allowed after which investors can use any of the registered bank accounts to receive redemption / dividend proceeds. These accounts will also be used for verification of pay-ins (i.e. receiving of subscription funds) to ensure that a third party payment is not used for mutual fund subscription.
- ❖ **PROCESS FOR CHANGE IN BANK MANDATE**
 - (a) Investor should submit duly filled "Multiple Bank Account Registration Form or Change of Bank Mandate form" at any of the official point of acceptance of Sahara Mutual Fund. (b) The investors have to submit in original any one of the following documents of the new bank account: i. Cancelled original cheque of the new bank mandate with first unit holder name and bank account number printed on the face of the cheque. ii. Self attested copy of bank statement. iii. Bank passbook with current entries not older than three (3) months. iv. Bank Letter duly signed by branch Manager/authorized personnel. (c) Investors are also required to submit in original any one of the following document of the existing bank account: i. Cancelled original cheque with first unit holder name and bank account number printed on the face of the cheque. ii. Bank account statement/Pass book. iii. Bank letter on the letterhead confirming the bank account holder with the account details, duly signed and stamped by the Branch Manager/authorized personnel. iv. In case such bank account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account. (d) If photocopies of the above stated documents are submitted, investor must produce the original for verification at the official point of acceptance of transaction. The original shall be returned to the investor over the counter upon verification. Kindly note that the photocopies submitted should be attested in original by the Branch Manager or Authorised personnel of the Bank. (e) If any redemption requests is received within 15 days of submission or change in bank mandate/change of address, the redemption proceeds / communication shall be sent to the old bank a/c /old address. (f) In case, the request for change in bank mandate is invalid/incomplete/dissatisfactory in respect of signature mismatch/ document insufficiency/not complying with any requirement as stated above, the request for such change will not be processed and redemption/Dividend proceeds, if any, will be processed in the last registered Bank account.
- ❖ **PROCESS FOR CHANGE IN ADDRESS**
 - a. Investor should submit duly filled "Change of Address form" or "change of address request letter" along with any one of the following documents at any of the official point of acceptance of transaction of Sahara Mutual Fund.
 - i. **KYC Not Complied Folios/Clients:**
 - Proof of new Address, and • Proof of Identity: Only PAN card copy if PAN is updated in the folio, or PAN/other proof of identity if PAN is not updated in the folio.
 - ii. **KYC Complied Folios/Clients**
 - Proof of new Address • Any other document/form that the KRA may specify from time to time.
 - b. If photocopies of the above stated documents are submitted, investor must produce the original for verification at the official point of acceptance of transaction. The original shall be returned to the investor over the counter upon verification. Kindly note that the photocopies submitted should be properly attested/verified by entities authorized for attesting/verification of document.

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SAHARA INCOME FUND

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REPORT OF THE TRUSTEES

We are pleased to present before you the **ANNUAL REPORT of SAHARA MUTUAL FUND** for the year ended March 31, 2012.

Overview of Debt Markets in 2011-12

The financial year 2011-12 was a challenging year for Indian economy. While the complex and conflicting choice between growth and inflation remained, the deteriorating economic fundamentals posed further challenges to the policy makers.

The year showed the weak government finances - falling revenues and exceeding expenditure. Burgeoning fiscal deficit and subsidy bills and shortfall in revenue (The tax collection and disinvestments target was missed) led to higher fiscal deficit. The external sector also remained under pressure with Current Account Deficit turning negative after many years. Rupee depreciated by 14% y-o-y vis-a-vis USD.

The headline inflation cooled down to around 6.9% since January 2012, but the core inflation and food inflation remained in risk zone. On the other hand, The IIP for the year plummeted to 3.0% average growth in 2011-12 on the back of dwindling investment demands and uncertain external environment.

The external factors remained volatile, with danger of sovereign default and EU dismemberment gained currency. The geopolitical tension in Iran and North Korea further aided uncertainty.

RBI remained cautious under given circumstances and cut the CRR only in the fag end of the financial year (9th March, 2012) and indicated softer rate regime to boost industrial and GDP growth. Market participants were however cautioned against any steep cut going forward. The government also remained on sidelines with no effective policy actions or announcements were made.

Overview of Equity Markets in 2011-12

Equity markets in India witnessed negative growth in FY11-12 on the back of various challenges faced at the domestic level like high inflation, monetary tightening, depreciating rupee, policy paralysis on the part of government. Nifty gave returns of -9.23% and CNX Midcap gave returns of -4.09% during the financial year ending 31st March, 2012. Among the sectoral indices Pharma, FMCG and Auto were outperformers while Metals, Capital Goods and Construction were underperformers.

The year started on a positive note with above average monsoon resulting into good production of crops and record food grain production. This was positive for the agriculture sector to have an expected 4% overall growth for FY11-12. The food inflation for FY11-12 came down from a high of 9.74% in April 2011 to 6.90% in March 2012 easing the food inflationary pressures.

High inflationary pressures till Oct. 2011, forced RBI to announce strong monetary policies in the beginning of the financial year and subsequently, decelerating growth and declining inflation momentum prompted monetary policy to move to a neutral stance since December 2011. Some easing in liquidity was effected through a total of 125 basis points reduction in the Cash Reserve Ratio (CRR) during January-March 2012.

High fiscal deficit was a concern, going into the budget in the second week of March 2012, but no prudent measures were indicated for reduction of fiscal deficit. Budget was almost a non-event and markets therefore reacted negatively. This was followed by the warnings of country rating downgrade by international agencies that were concerned over inaction by the government to reign in fiscal deficit. High current account deficit led to rupee weakening from levels of ₹ 45 to ₹ 52 resulting into reduction of import cover to less than 6 months near the end of March 2012.

A major factor contributed to the fall in equity markets and that was lackluster FII participation. FII's net buying for the financial year 2011-12 was ₹ 22091 crores approximately as compared to ₹ 48838 crores inflow by FII in 2010-11. The proposal to introduce General Anti-Avoidance Rule (GAAR) from the ensuing financial year and the government's policy to retrospectively tax transactions and the flow of money coming through tax havens, only worsened the sentiment of the FII's to invest into India. Domestic institutions were sellers in the last financial year to the extent of ₹ 5348 Crores approx.

Currently the global growth is facing risks of a mild recession in the euro area, slowdown in emerging and developing economies (EDEs) including China, and surging crude oil prices. However high liquidity from the extended easy monetary policy regimes globally has associated risks for capital flows to the EDEs.

1. Scheme Performance, Future Outlook and Operations of Sahara Income Fund Returns:

Performance as of March 31, 2012	1 year	Since inception	Inception date
Sahara Income Fund (%)	9.5192	7.3991	February 21, 2002
CRISIL Composite Bond Fund Index (%)	7.6779	NA*	

As on March 31, 2012, the scheme had invested 100% of its net assets, in money market instruments and net current assets.

DEBT MARKETS

Last year has decelerated the growth momentum of the economy and brought to the fore many interlinked structural issues. The foremost being the poor government finances, depreciating rupee, faltering IIP and still threatening core inflation.

The year ahead is expected to refocus again on the fundamentals. Debt market per-se is expected to operate in conflicting views at least for some time. While RBI has indicated the softer rate regime, the quantum and the steepness of the rate cut is still uncertain. Though headline Inflation has softened, core inflation still poses the risk and much is dependent on monsoon, oil price hike, fiscal gap and Rupee movement. External factors may also have ramification on debt market.

Going forward, even though slowing growth and modest recession is being accepted paradigm globally and softer rate regime is expected policy bias; it may take a bit longer time for the emergence of clear cues and rate direction. Shorter segment of the yield curve may track liquidity which is expected to be tight unless some policy actions are taken by RBI. The low credit off-take may however, address some of the liquidity concern.

EQUITY MARKETS

RBI is expected to cut rates to support growth and the government to reduce its fiscal deficit in the wake of downgrade warnings from the international rating agencies. We remain cautious of populist policies from the government in the wake of elections in the next financial year. Inability of the government to reduce fiscal deficit due to lack of support from coalition partners may stoke inflationary pressures, limiting the ability of RBI to reduce rates and create further downward pressure on corporate earnings through slowing demand and high financing costs. The upside risks to inflation on the one hand and the depressed domestic growth outlook on the other, warrant calibrated measures to maintain a sustainable balance in a dynamic growth-inflation scenario.

2. Brief Background of Sponsor, Trust, and AMC Company

(a) Sahara Mutual Fund

Sahara Mutual Fund (SMF) has been established as a Trust by the Trust Deed (amended from time to time) dated 18th July, 1996 in accordance with the Indian Trusts Act, 1882, and duly registered under the Indian Registration Act, 1908, sponsored by Sahara India Financial Corporation Limited ("SIFCL").

The Trustees have appointed Sahara Asset Management Company Private Limited as the Investment Manager to Sahara Mutual Fund to function as the Investment Manager for all the Schemes of Sahara Mutual Fund. Sahara Mutual Fund was registered with SEBI on 1st October, 1996.

(b) Board of Trustees

The Board of Trustees as on date comprise Justice S Mohan, Independent Trustee, Mr. Amitabha Ghosh, Nominee of the Sponsor, Mr. S. R. Hegde, Independent Trustee, Mr. P.V. Rao, Independent Trustee and Mr. A K Thakur, Independent Trustee.

The Board of Trustees is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unit holders. The Board of Trustees has been discharging its duties and carrying out the responsibilities as provided in the Regulations and the Trust Deed. The Board of Trustees seeks to ensure that the Fund and the Schemes floated there under are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

3. Investment Objective of the Scheme

The primary objective of the scheme is to generate regular income and growth of capital through investment in debt instruments, money market and related securities while at all times emphasizing the importance of capital preservation.

4. Significant Accounting Policies

The Balance Sheet and the Revenue Account together with the notes thereon have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable.

5. Unclaimed Dividends and Redemptions

Scheme Name	No of Investors	Unclaimed Dividend (₹)	No of Investors	Unclaimed Redemption (₹)
Sahara Income Fund	14	8968.04	11	66938.18

6. Disclosure of investor complaints for the year 2011-12

Total Number of Folios under all schemes: 43592

Com- plaint Code	Type of Complaint	Action on (a) and (b)										
		(a) No. of Complaints pending at the beginning of the year	(b) No. of Complaints received during the year	Resolved				Non Actio- nable	Pending			
				Within 30 Days	30-60 Days	60-180 Days	Beyond 180 days		0-3 mths	3-6 mths	6-9 mths	9-12 mths
I A	Non receipt of Dividend on Units	1	279	277	1	2	0	0	0	0	0	0
I B	Interest on delayed payment of Dividend	0	0	0	0	0	0	0	0	0	0	0
I C	Non receipt of Redemption Proceeds	1	59	59	1	0	0	0	0	0	0	0
I D	Interest on delayed Payment of Redemption	0	0	0	0	0	0	0	0	0	0	0
II A	Non receipt of Statement of Account/Unit Certificate	0	6	6	0	0	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	0	0	0	0	0	0	0	0	0	0	0
II C	Non receipt of Annual Report/Abridged Summary	0	0	0	0	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	0	0	0	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	0	0	0	0	0	0	0	0	0	0	0
III D	Wrong or Excess charges/load	0	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc.	0	0	0	0	0	0	0	0	0	0	0
IV	Others		0	0	0	0	0	0	0	0	0	0
	TOTAL	2	344	342	2	2	0	0	0	0	0	0

7. Role of Mutual Funds in Corporate Governance of Public Listed Companies

Policy on Attending AGM/EOGM of Investee Companies

Introduction

Sahara Asset Management Company Private Limited, acts as an Investment Manager ("The AMC") to the schemes of Sahara Mutual Fund ("Fund"). The general voting policy and procedures being followed by the AMC in exercising the voting rights ("Voting Policy") is given hereunder.

Philosophy and Guidelines of Voting Policy

The AMC has a dual responsibility of a prudent fund manager investing investor money as well as of an entity performing the responsibility of protecting the investor interest. As part of the management of funds, irrespective of the scheme, the AMC ensures that investments are made in companies that meet investment norms. It is expected that the investee company adheres to proper corporate governance standards. The voting policy for the investee companies by the AMC is as under:

The AMC shall deal with voting on case to case basis. For this purpose, the AMC shall review various notices of AGM/EOGM received from the investee companies from time to time and decide whether there are some issues on which the voting decision (favourable/unfavourable) is to be taken. The AMC would generally agree with the management of the Investee Company on routine matters, but may object by voting against if it believes that the interest of the shareholders are prejudiced in any manner.

As regards non-routine items the Fund Manager-Equity with assistance of the Equity Research Department and in consultation with the Chief Investment Officer shall review each of such cases and make specific recommendations to the Chief Executive Officer. In case the AMC is against any non routine item, it may decide to attend the meeting and vote against. In some other such cases, it may decide to abstain based on one or more of the factors like our small holding in the company, location of the meeting place, time/cost involved etc. For these instances, the reasons for non attendance will be recorded.

As per the decision taken by the AMC, it may depute an authorized person to vote in AGM/EOGM appropriately keeping in mind the interest of unit holders. AMC would maintain a record on the AGM/EOGM voting related matters.

Disclosure of Voting policy and Maintenance of Records : This Policy on attending AGM/EOGM and suitable disclosure thereof will be made available on the website www.saharamutual.com.

The details of voting in the AGMs of the investee companies for the financial year 2011-12 are as follows:

HDFC BANK LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
6-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report	For	For
		Declaration of Dividend of ₹ 16.5 per share	For	For
		Reappointment of Mr. Ashim Samanta, Mr. Partho Datta, Mr. Bobby Parikh, Mr. Anami N. Roy and Mrs. Renu Karnad as Directors	For	For
		Reappointment of M/s BSR & Co. as statutory auditors till next AGM	For	For

UNICHEM LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
8-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report	For	For
		Declaration of dividend of ₹ 9 per share	For	For
		Reappointment of Mr. D.N. Ghosh, Dr Ram S. Talreja and Dr. Bimal Jalan as Directors	For	For
		Reappointment of M/s Deloitte Haskins and Sells as Auditors for Head Office in India, all branch offices in India and branch offices at London, U.K. and Singapore.	For	For
		Re-appointed Messrs PKF, Chartered Accountants as Auditors for the purpose of Audit of accounts of Corporation's branch at Dubai U.A.E.	For	For
		Approved the authority to the Board under Section 293 (1)(d) of the Companies Act, 1956 to borrow monies in excess of the paid up share capital and free reserves of the Corporation upto an amount not exceeding ₹ 2,00,000 crores.	For	For

BAJAJ AUTO LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
14-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report	For	For
		Declaration of dividend of ₹ 40 per share.	For	For
		Reappointment of Mr. Shri Nanoo Pamnani, Shri Manish Kejriwal, Shri P Murari, Shri Niraj Bajaj as Directors.	For	For
		Reappointment of M/s Dalal and Shah as Auditors till the conclusion of next AGM on a remuneration of ₹ 1.05 crores plus service tax if any and reimbursement of out of pocket expenses.	For	For
		Commission to Non-Executive Directors for a period of five years commencing from 1 April 2011.	For	For

INDUSIND BANK LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
15-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report.	For	For
		Declaration of dividend of ₹ 2 per share.	For	For
		Reappointment of Mr. T. Anantha Narayanan and Mr. Ashok Kini as Directors.	For	For
		Reappointment of M/s BSR and Co as Auditors till the conclusion of next AGM on a remuneration to be decided by the Board of directors on recommendation of the Audit Committee.	For	For
		Reappointment of Mr. R. Sheshasayee as part time Chairman.	For	For
		Authority for augmentation of capital through further issue / placement of securities including American Depository Receipts / Global Depository Receipts / QIP's etc.	For	For

BIOCON LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
21-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report.	For	For
		Declaration of dividend of ₹ 3 per share.	For	For
		Reappointment of Dr Neville Bain and Dr. Bala Manian as Directors.	For	For
		Reappointment of M/s S R Batliboi & Associates Chartered Accountants as Auditors till the conclusion of next AGM.	For	For
		Mr. Russell Walls, who was appointed as Additional Director is appointed as Director of the company	For	For

THERMAX LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
22-July-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report.	For	For
		Declaration of dividend of ₹ 9 per share.	For	For
		Reappointment of Mrs. A.R. Aga, Mr. Tapan Mitra and Mr. Nawshir Mirza, as Directors.	For	For
		Reappointment of M/s B.K. Khare and Co as Auditors till the conclusion of next AGM on remuneration to be decided by the Audit Committee.	For	For

GUJARAT MINERAL DEVELOPMENT CORPORATION LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
26-Sept-11	AGM	The Annual Accounts for the year ended 2009-2010 together with the comments of Comptroller & Auditor General of India have been adopted by the General Meeting.	For	For
		Dividend @ ₹ 2.50 per share has been approved by the General Meeting	For	For
		The General Meeting has authorized Managing Director to fix the remuneration of Statutory Auditors appointed by the Comptroller & Auditor General of India for the year 2010-2011.	For	For

LANCO INFRA LTD.

Date	Type of Meeting (AGM / EGM)	Proposal	Management Recommendation	Vote (For/ Against / Abstain)
30-Sep-11	AGM	Adoption of Audited Balance Sheet, P & L Account, Directors Report and Auditors Report.	For	For
		Reappointment of Dr P. Kotaiah, Mr. P. Abraham and Mr. G. Bhaskara Rao as Directors.	For	For
		Appointment of M/s S R Batliboi & Associates and Brahmayya and Co, Chartered Accountants as Auditors till the conclusion of next AGM on a remuneration to be decided by the Board of Directors.	For	For
		Reappointment of Mr. L. Madhusudhan Rao as Executive Chairman of the Company for a period of 5 years effective from 1 April, 2011.	For	For
		Reappointment of Mr. G. Bhaskara Rao as Executive Vice-Chairman of the Company for a period of 5 years effective from 1 April, 2011.	For	For
		Reappointment of Mr. G. Venkatesh Babu as Managing Director of the Company for a period of 5 years effective from 1 April, 2011.	For	For
		Appointment of Mr. S.C. Manocha as Whole Time Director for a period of 5 years effective from 14 th August, 2010.	For	For

8. Statutory Information

- The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond their initial contribution of ₹ 1 lakh for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.
- Full Annual Report is disclosed on the website (www.saharamutual.com) and shall be available for inspection at the Head Office of the Mutual Fund. Present and prospective unit holders can obtain copy of the trust deed, the full Annual Report of the Fund / AMC free of cost.

Acknowledgements

The Trustees would like to thank all the investors for reposing their faith and trust in Sahara Mutual Fund. The Trustees thank the Securities and Exchange Board of India, the Reserve Bank of India, the Sponsors, the Board of the Sahara Asset Management Company Private Limited, and Association of Mutual Funds in India for their support, co-operation and guidance during the period. We are also thankful to the Auditors, Registrar and Transfer Agents, Custodian, Banks, Depositories, AMFI/NISM Certified Distributors and other service providers for their continuous support. The Trustees also appreciate the efforts made by the employees of Sahara Asset Management Company Private Limited and place on record their contribution in good performance of the schemes. We look forward for your continued support and assure you of our commitment at all times in managing the schemes of Sahara Mutual Fund.

For and on behalf of Sahara Mutual Fund

Sd/-

Justice S Mohan
Trustee

Place : Mumbai
Date : 26th May, 2012

AUDITORS' REPORT TO THE TRUSTEES OF SAHARA MUTUAL FUND

1. We have audited the Balance Sheet of Sahara Mutual Fund – Sahara Income Fund (the "Scheme") as at March 31, 2012, and the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are a responsibility of the Trustees of Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Scheme.
4. In our opinion and to the best of our information and according to the explanations given to us:
The Balance Sheet and the Revenue Account together with the notes thereon give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable and give a true and fair view in conformity with the Accounting principles generally accepted in India,
 - i) in case of Balance Sheet of the state of affairs of the scheme as at March 31, 2012 and
 - ii) in case of the Revenue account, of the surplus for the year ended on that date.
5. The Balance Sheet and the Revenue Account together with the notes thereon, have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable.
6. The methods used to value non-traded/thinly traded securities as at March 31, 2012 as determined by the Management under procedures approved by the Trustees of Sahara Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds, issued by the Securities and Exchange Board of India, are fair and reasonable.

For **CHATURVEDI & CO.**
Chartered Accountants
(Firm Regn. No.: 302137E)

Sd/-
(S N Chaturvedi)
Partner
M.No.: 040479

Place : Mumbai
Date : 26/05/2012

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in lakhs)

		SAHARA INCOME FUND	
		As at ended 31/03/2012	As at ended 31/03/2011
	LIABILITIES		
1	Unit Capital	139.92	1,350.94
2	Reserves & Surplus		
2.1	Unit Premium Reserves	5.55	69.84
2.2	Unrealised Appreciation Reserve	-	-
2.3	Other Reserves	138.82	1,113.74
3	Loans & Borrowings	-	-
4	Current Liabilities & Provisions		
4.1	Provision for doubtful Income/Deposits	-	-
4.2	Other Current Liabilities & Provisions	0.88	1.37
	TOTAL	<u>285.17</u>	<u>2,535.89</u>
	ASSETS		
1	Investments		
1.1.	Listed Securities:		
1.1.1	Equity Shares	-	-
1.1.2	Preference Shares	-	-
1.1.3	Equity Linked Debentures	-	-
1.1.4	Other Debentures & Bonds	-	-
1.1.5	Securitised Debt securities	-	-
1.2	Securities Awaited Listing:		
1.2.1	Equity Shares	-	-
1.2.2	Preference Shares	-	-
1.2.3	Equity Linked Debentures	-	-
1.2.4	Other Debentures & Bonds	-	-
1.2.5	Securitised Debt securities	-	-
1.3	Unlisted Securities		
1.3.1	Equity Shares	-	-
1.3.2	Preference Shares	-	-
1.3.3	Equity Linked Debentures	-	-
1.3.4	Other Debentures & Bonds	-	-
1.3.5	Securitised Debt securities	-	-
1.4	Government Securities	-	-
1.5	Treasury Bills	-	-
1.6	Commercial Paper	-	-
1.7	Certificate of Deposits	272.92	2,517.25
1.8	Bill Rediscounting	-	-
1.9	Units of Domestic Mutual Fund	-	-
1.10	Foreign Securities	-	-
	Total Investments	<u>272.92</u>	<u>2,517.25</u>
2	Deposits	-	-
3	Other Current Assets		
3.1	Cash & Bank Balance	0.41	2.40
3.2	Reverse Repo Lending	10.60	11.19
3.3	Others	1.24	5.05
4	Deferred Revenue Expenditure	-	-
	(to the extent not written off)		
	TOTAL	<u>285.17</u>	<u>2,535.89</u>

Notes to Accounts – 1

ABRIDGED REVENUE ACCOUNT FOR THE YEAR/PERIOD ENDED 31ST MARCH, 2012

(₹ in lakhs)

		SAHARA INCOME FUND	
		Current Year / Period ended 31/03/2012	Previous Year / Period ended 31/03/2011
1	INCOME		
1.1	Dividend	-	-
1.2	Interest	76.57	278.35
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions	-	-
1.4	Realised Gains / (Losses) on Interscheme sale of investments	-	-
1.5	Realised Gains / (Losses) on External sale / redemption of investments	4.36	(1.00)
1.6	Realised Gains / (Losses) on Derivative Transactions	-	-
1.7	Other Income	-	-
	(A)	<u>80.93</u>	<u>277.35</u>
2	EXPENSES		
2.1	Management fees	1.51	4.38
2.2	Service tax on Management fees	0.16	0.45
2.3	Transfer agents fees and expenses	0.59	3.35
2.4	Custodian fees	0.14	2.06
2.5	Trusteeship fees and expenses	0.09	0.34
2.6	Commission to Agents	0.00	0.21
2.7	Marketing & Distribution expenses	0.01	2.20
2.8	Audit fees	0.15	0.62
2.9	Other operating expenses*	0.17	3.02
	(B)	<u>2.82</u>	<u>16.63</u>
3	NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD (A-B = C)	78.11	260.72
4	Change in Unrealised Depreciation in value of investments (D)	-	-
5	NET GAINS / (LOSSES) FOR THE YEAR / PERIOD (E=(C-D))	78.11	260.72
6	Change in unrealised appreciation in the value of investments (F)		
7	NET SURPLUS / (DEFICIT) FOR THE YEAR / PERIOD (E+F= G)	78.11	260.72
7.1	Add : Balance transfer from Unrealised Appreciation Reserve	-	-
7.2	Less : Balance transfer to Unrealised Appreciation Reserve	-	-
7.3	Add : Income Equalisation Reserve	(1,053.03)	(3,371.10)
8	Total	<u>(974.92)</u>	<u>(3,110.38)</u>
9	Dividend appropriation		
9.1	Income Distributed during the year / period	-	-
9.2	Tax on income distributed during the year / period	-	-
10	Retained Surplus / (Deficit) carried forward to Balance Sheet	<u>(974.92)</u>	<u>(3,110.38)</u>

* Includes costs relating to investor communication, insurance and transaction costs.

Notes to Accounts – Annexure 1

NOTES TO ACCOUNTS – ANNEXURE 1 TO THE ABRIDGED BALANCE SHEET AND REVENUE ACCOUNT FOR THE YEAR / PERIOD ENDED 31ST MARCH, 2012

1. Investments:

- 1.1 Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2012 the aggregate market value of securities under Sahara Income Fund but held in the name of Sahara Mutual Fund is ₹ 10,60,210.05.
- 1.2 The Registrar and Transfer Agents charges amounting to ₹ 59469.70 constitutes 21.10 % of the total schemes expenses.
- 1.3 Open Position of derivatives (outstanding market value & % to Net Assets as of the Year end). Nil
- 1.4 Investments in Associates and Group Companies: Provide details of issuer, nature of instruments, amount, and aggregate investments by all schemes. Nil
- 1.5 Open position of Securities Borrowed and / or Lending by the scheme. Nil
- 1.6 Details of NPA: Aggregate market value and provision thereof. Nil
- 1.7 Aggregate Unrealised Gain / Loss as at the end of the Financial Year / Period and percentage to net assets.

Asset Class	31-Mar-12				31-Mar-11			
	Apprecia- tion (₹ in lakhs)	% to Net Assets	Deprecia- tion (₹ in lakhs)	% to Net Assets	Apprecia- tion (₹ In lakhs)	% to Net Assets	Deprecia- tion (₹ In lakhs)	% to Net Assets
Money Market	–	–	–	–	–	–	–	–

- 1.8 Aggregate Value of Purchase and Sale with Percentage to average assets.

Purchases

Year	Amount in ₹	% of Daily Average
2011-12	826,759,013	1009.00
2010-11	4,248,616,507	878.74

Sales

Year	Amount in ₹	% of Daily Average
2011-12	1,059,364,933	1292.88
2010-11	5,065,254,680	1047.64

- 1.9 Non-Traded securities in the portfolio: Provide Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets.

Scheme Name	Category	31st March, 2012		31st March, 2011	
		Market value (₹ in lakhs)	% to Net Assets	Market value (₹ in lakhs)	% to Net Assets
Sahara Income Fund	Debt & Money Market Instruments	284.28	100	2534.52	100

2. Details of Transaction with Associates under regulation 25(8). Brokerage to SIFCL A/c CMSD (Associate) has been made for sale of units of the MF as on 31st March, 2012:

Commission to SIFCL A/c CMSD (Associate) made for sale of units of the MF for the current year ended 31st March, 2012. (₹ in lakhs)

Tax Gain Fund	Growth Fund	Liquid Fund	Mid cap Fund	Wealth Plus Fund	Infrastructure Fund
0.52	0.31	0.07	0.29	0.08	0.15

(₹ in lakhs)

R. E. A. L Fund	Star Value Fund	Super 20 Fund	Power and Natural Resources Fund	Banking & Financial Services Fund	Interval Fund – Quarterly Plan Sr 1
0.00	0.08	0.18	0.15	0.73	0.00

Commission to SIFCL A/c CMSD (Associate) made for sale of units of the MF for the current year ended 31st March, 2011.

(₹ in lakhs)

Tax Gain Fund	Growth Fund	Liquid Fund	Mid cap Fund	Wealth Plus Fund	Infrastructure Fund
1.00	0.51	0.09	0.42	0.57	0.37

(₹ in lakhs)

R. E. A. L Fund	Star Value Fund	Super 20 Fund	Power and Natural Resources Fund	Banking & Financial Services Fund	Interval Fund – Quarterly Plan Sr 1
1.21	0.15	0.30	1.09	1.64	0.01

Commission paid to associates / related parties /group companies of Sponsor/AMC

Name of associate/ related parties/group companies of Sponsor/ AMC	Nature of association/ nature of relation	Period Covered	Business given (₹ cr and % of total business received by the fund)	Commission paid (₹ & % of total commission paid by the fund)
(1)	(2)	(3)	(4)	(5)
SIFCL A/c CMSD	Sponsor/Mutual Fund Distributor	April 11- March 12	(0.97 & 0.07%)	(₹ 2,57,503.28; 9.83%)
SIFCL A/c CMSD	Sponsor/Mutual Fund Distributor	April 10- March 11	(5.15; 0.22%)	(₹ 737,214/-; 11.94%)

In column No 4, the total business received by the fund includes business through ARNs & also direct business.

In column No 5, the amount includes the upfront and the trail.

Brokerage paid to associates / related parties / group companies of Sponsor/AMC.

Name of associate/ related parties/group companies of Sponsor/ AMC	Nature of association/ nature of relation	Period Covered	Value of Transaction (in ₹, Cr & of Total value of Transaction of the Fund)	Brokerage (₹ Cr & % of total brokerage paid by the Fund)
–	–	–	–	–

There are no associate brokers, hence not applicable for the period April – Mar 2012 & April – Mar 2011.

3. Large Holdings in the Scheme (i.e. in excess of 25% of the net assets):

Particulars	As on March 31, 2012	As on March 31, 2011
Number of Investors	1	1
Percentage of holdings	36.52%	90.70%

4. Unit Capital movement during the year ended / period ended March 31, 2012.

Growth Option

	Number of Units	Amount (₹)	Number of Units	Amount (₹)
	As on March 31, 2012	As on March 31, 2012	As on March 31, 2011	As on March 31, 2011
Initial Capital	20,125,350.000	201,253,500	20,125,350.000	201,253,500
Opening Balance	13,394,109.160	133,941,092	59,485,189.408	594,851,894
Units Sold during the year	1,161,414.030	11,614,140	102,854,020.497	1,028,540,205
Units Repurchased during the year	(13,259,017.578)	(132,590,176)	(148,945,100.745)	(1,489,451,007)
Closing Balance	1,296,505.612	12,965,056	13,394,109.160	133,941,092

Face Value of Units: ₹ 10 per unit.

Dividend Option

	Number of Units	Amount (₹)	Number of Units	Amount (₹)
	As on March 31, 2012	As on March 31, 2012	As on March 31, 2011	As on March 31, 2011
Initial Capital	2,405,600.000	24,056,000	2,405,600.000	24,056,000
Opening Balance	115,326.149	1,153,261	127,929.185	1,279,292
Units Sold during the period	19,096.678	190,967	237.771	2,378
Units Repurchased during the period	(31,735.425)	(317,354)	(12,840.807)	(128,408)
Closing Balance	102,687.402	1,026,874	115,326.149	1,153,261

Face Value of Units: ₹ 10 per unit.

- Expenses other than management fee is inclusive of service tax where applicable.
- Previous year figures have been reclassified/regrouped, wherever necessary, to conform to the current year's classification.
- Contingent Liability: Nil

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

KEY STATISTICS FOR THE YEAR / PERIOD ENDED 31ST MARCH, 2012

	SAHARA INCOME FUND	
	Current Year / Period ended 31/03/2012	Previous Year / Period ended 31/03/2011
1. NAV per unit (₹):		
Open		
Growth Option	18.7894	17.6233
Dividend Option	15.4751	14.5138
Repurchase Price during the year**		
(i) Highest		
Growth Option	20.5780	18.6955
Dividend Option	16.9479	15.3977
(ii) Lowest		
Growth Option	18.8221	17.5452
Dividend Option	15.5020	14.4495
Resale Price during the year**		
(i) Highest		
Growth Option	20.5780	18.7894
Dividend Option	16.9479	15.4751
(ii) Lowest		
Growth Option	18.8221	17.6334
Dividend Option	15.5020	14.5221
End		
Growth Option	20.5780	18.7894
Dividend Option	16.9479	15.4751
2. Closing Assets Under Management (₹ in Lakhs)		
End	284.28	2534.52
Average (AAuM) ⁴	819.38	4834.91
3. Gross income as % of AAuM ¹	9.88%	5.74%
4. Expense Ratio:		
a. Total Expense as % of AAuM	0.34	0.34
b. Management Fee as % of AAuM	0.20	0.10
5. Net Income as a percentage of AAuM ²	9.53%	5.39%
6. Portfolio turnover ratio ³	1009.00	878.74
7. Total Dividend per unit distributed during the year / period	NIL	NIL
8. Returns:		
a. One year		
Sahara Income Fund - Growth Option %	9.52	6.62
CRISIL Composite Bond Fund Index (%)	7.68	5.07
a. Since Inception		
Sahara income Fund- Growth Option %	7.40	7.17
CRISIL Composite Bond Fund Index (%)	NA*	NA*

** based on the maximum load during the year.

* as index launched on March 31st, 2002.

- Gross income = amount against (A) in the Revenue account i.e. Income.
- Net income = amount against (C) in the Revenue account i.e. Net Realised Gains / (Losses) for the Year / Period
- Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.
- AAuM=Average daily net assets.

➤(A) Dematerialization of Units:

Pursuant to SEBI Circular dated 19th May, 2011, No CIR/IMD/DF/9/2011, w.e.f 1st October, 2011 the Board of Trustees of Sahara Mutual Fund has approved the option to unitholders to hold units in Dematerialised ("Demat") form while subscribing to the Units of the schemes of the Mutual Fund, in addition to the existing option of holding Units in physical form by way of an account statement. The option to hold units in Demat form is available for all the schemes of the Fund except for subscriptions through Systematic Investment Plan (SIP) and for plan/options where the dividend distribution frequency is less than one month. Unit Holders opting to hold the Units in Demat form must provide their Demat Account details in the specified section of the Application Form.

Account statements for Units held in Demat form: In case of Units held in demat form, the Unit Holder will receive the holding statement directly from the respective DP at such frequency as may be defined in the Depositories Act or regulations or on specific request.

(B) Consolidated Account Statement (CAS):

- Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendment thereto read with SEBI Circular No. Cir/IMD/DF/16/2011 dated 8th September, 2011, the investors whose transaction* has been accepted by the AMC/ Mutual Fund on or after 1st October, 2011 will receive confirmation specifying the number of units allotted by way of E-mail and or/SMS on their registered E-mail address and/or mobile number within 5 business days from date of receipt of transaction* request.
 - Thereafter a Consolidated Account Statement (CAS) will be sent for each calendar month to the investors in whose folios transaction(s)* has/have taken place during that month on or before 10th day of the succeeding month detailing all the transactions and holding at the end of the month across all the schemes of all Mutual funds including the transaction charges paid to the distributors.
- * **The word 'transaction' shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions.**
- For the purpose of sending CAS, Common Investors across Mutual funds shall be identified by their Permanent Account Number (PAN).
 - In the event the account has more than one registered holder, the first named Unit holder shall receive the CAS/ Account statement.
 - Further a CAS every half yearly (September/March) will be issued, on or before 10th day of succeeding month, detailing holding at the end of the six month, across all schemes of all mutual funds, to all such investors in whose folios no transaction has taken place during that period.

(C) Mailing of Annual Report or Abridged Summary:

Pursuant to Regulation 56 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto, read with SEBI circular No. Cir/IMD/DF/16/2011 dated 8th September, 2011, pertaining to the mailing of annual report and/or abridged summary thereof, the scheme wise annual report or an abridged summary hereinafter shall be sent by the AMC/Mutual Fund as under:

- (i) By E-mail to the Unit holders whose e-mail address is available with the Fund,
- (ii) In physical form to the Unit holders whose email address is not available with the Fund and/or to those Unit holders who have opted/requested for the same.

The physical copy of the scheme wise annual report or abridged summary will be made available to the investors at the registered office of the AMC. A link of the scheme annual report or abridged summary will be displayed prominently on the website of Sahara Mutual Fund.

(D) Change in Benchmark- Sahara Interval Fund Quarterly Plan- Series 1

The Board of Trustees has approved the change in benchmark of Sahara Interval Fund Quarterly Plan- Series 1 from CRISIL Short Term Bond Fund Index (STBEX) to CRISIL Liquid Fund Index (LIQUIFEX) w.e.f. 3rd October, 2011.

Date : 30th September, 2011

➤ **Transaction charges:**

With effect from 1st November, 2011, the Fund shall deduct Transaction Charges on purchase/ subscription received from first time mutual fund investor and investor/s other than first time mutual fund investor, whose application is routed through distributor / agent who have "Opted in" for Transaction charges.

- (i) First time Mutual Fund Investor (Across Mutual Fund Industry): Transaction charges of ₹ 150/- for subscription of ₹ 10,000/- and above shall be deducted from the subscription amount and paid to the Distributor/ Agent of the first time Investor and the balance amount shall be invested.
- (ii) Investor other than First Time Mutual Fund Investor: Transaction charge of ₹ 100/- per subscription of ₹ 10,000/- and above will be deducted from the subscription amount and paid to the distributor/agent of the investor and the balance shall be invested.
- (iii) For SIP: Transaction charges in case of investments through Systematic Investment Plan (SIP) shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to ₹ 10,000/- or more. The Transaction Charges shall be deducted in 4 installments.
- (iv) Transaction charges shall not be deducted for: (a) Purchases /subscriptions for an amount less than ₹ 10,000/- (b) Transaction other than purchases/subscriptions relating to new inflows such as Switch/STP/SWP/STP etc. (c) Purchases/subscriptions made directly with the Fund (i.e. not through any distributor/agent). (d) Transactions carried out through stock exchange mechanism.

Date: 31st October, 2011

➤ **NOTICE:**

- I. **Demat option for Systematic Investment Plan (SIP):** Pursuant to SEBI Circular dated 19th May, 2011, No CIR/IMD/DF/9/2011 w.e.f. 1st October, 2011 the option to unitholders to hold units in Dematerialised ("Demat") form while subscribing to the Units of the schemes of the Mutual Fund was introduced. The Board of Trustees of Sahara Mutual Fund has approved w.e.f. 1st January, 2012 the option to hold units

In Demat Form for Systematic Investment Plan (SIP) transactions. The Units for subscription in Demat Form units will be allotted based on the applicable NAV as per Scheme Information Document (SID) and will be credited to investors Demat Account on weekly basis on realisation of funds, for e.g. Units will be credited to investors Demat account every Monday for realization status received in last week from Monday to Friday.

- II. Resignation of AMC Director: Shri Suresh Chukkappalli, Director on the Board of Sahara Asset Management Company Private Limited (AMC), has resigned effective date 15th December, 2011. Consequently the details in the Statement of Additional Information (SAI) titled "Details of AMC Directors stands modified".

Date : 30th December, 2011

**** Revision to Know Your Customer Procedure**

Pursuant to SEBI Circular No. MIRSD/ Cir-26/ 2011 dated December 23rd, 2011, SEBI (KYC Registration Agency) Regulations, 2011 and SEBI Circular No. MIRSD/SE/Cir-21/2011 dated October 5th, 2011, regarding uniformity in the Know Your Customer (KYC) process in the securities market and development of a mechanism for centralization of the KYC records to avoid duplication of KYC Process across the intermediaries in the securities market, the Board of Trustees of Sahara Mutual Fund ("Mutual Fund"), has decided to make the following changes (applicable from January 1st, 2012) to the SID/SAI/KIM of the schemes of Sahara Mutual Fund:

- a. SEBI has introduced a common KYC Application Form for all the SEBI registered intermediaries including Mutual Funds. New Investors are therefore requested to use the common KYC Application Form and carry out the KYC process including In-Person Verification (IPV) with any SEBI registered intermediaries including mutual funds. The KYC Application Forms are also available on our website www.saharamutual.com
- b. The Mutual Fund shall perform the initial KYC of its new investors and may undertake enhanced KYC measures commensurate with the risk profile of its investors. The Mutual Fund shall upload the details of the investors on the system of the KYC Registration Agency (KRA). Karvy Computershare Pvt Ltd {Registrar & Transfer Agent (RTA)} may also undertake the KYC of the investors on behalf of the Mutual Fund. KRA shall send a letter to the investor within 10 working days of the receipt of the initial/updated KYC documents from the Mutual Fund, confirming the details thereof.
- c. Once the investor has done KYC with a SEBI registered intermediary, the investor need not undergo the same process again with another intermediary including mutual funds. However, the Mutual Fund reserves the right to carry out fresh KYC of the investor.

- d. It is mandatory for intermediaries including mutual funds to carry out In-Person Verification (IPV) of its new investors from the Effective Date. The IPV carried out by any SEBI registered intermediary can be relied upon by the Mutual Fund /Sahara Asset Management Company Limited and NISM/AMFI certified distributors who are KYD compliant are authorised to undertake the IPV for Mutual Fund investors.
- e. Existing KYC compliant investors of the Mutual Fund can continue to invest as per the current practice. However, existing investors are also urged to comply with the new KYC requirements including IPV as mandated by SEBI. The above procedure is as per the current guidelines issued by SEBI in this regard. Sahara Mutual Fund reserves the right to modify/enhance the KYC norms & procedures, points of acceptance etc. as may be modified/revised/changed by SEBI from time to time.

Date : 27th January, 2012

➤ **POINTS OF SERVICE (POS) FOR SCHEMES OF SAHARA MUTUAL FUND**

The Unit holders/ Investors are advised to note this Point of Service (POS) for schemes of Sahara Mutual Fund. Sahara Asset Management Company Private Limited : Office No. 305-A, 3rd Floor, Shyam Anukampa, Opp. HDFC Bank, C Scheme, Ashok Marg, Jaipur – 302001 Phone – 0141-3269923

Date: 1st February, 2012

➤ **VALUATION NORMS**

Principles of Fair Valuation

The Mutual Fund shall value its investments in accordance with the following overarching principles as outlined in the Eight Schedule of SEBI (Mutual Funds) Regulations, 2012 so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time:

The valuation guidelines have been outlined within the parameters of prevailing Regulations and are subject to changes from time to time by AMC and/or Trustees. However such changes would be in conformity with the Regulations.

For the purpose of valuation of investment and to arrive at fair and realizable value, the investments are categorized into following instruments:

- a) Overnight instruments like Reverse Repo / CBLO / Call money etc. and Term Deposits, b) Money Market Instruments.
- c) T-Bills, d) Central Government Securities/ State Government Securities e) Bond/Debentures etc

Definition:

1) “Cut-off period of Amortization”:

The period upto which the amortization is allowed by SEBI from time to time (currently upto 91 days) and for which valuation matrix from the bond valuer aggregator is not available.

2) Similar Security:

Those securities which shall mean the same nature security [Commercial Paper (CP), Certificate of Deposit (CD), Non-Convertible Debentures (NCD), etc.] of different issuers having same or equivalent credit rating for Similar maturity profile (either Short term rating or Long term rating), and falling in same “Maturity Bucket” as defined below.

3) Maturity bucket :

- i) For Debt Security having remaining maturity upto 91 days.

Maturity date of securities falling between	Time Bucket
1 st and 7 th of the month	1-7 of the same month
8 th and 15 th of the month	8-15 of the same month
16 th and 23 rd of the month	16-23 of the same month
24 th to end of the month	24- end of the month

- ii) For Debt Securities having remaining maturities more than 91 days. “Time Bucket” for maturity profile of “Similar Securities” shall be same calendar month of that year.

For the purpose of valuation, Debt and Money Market Securities are categorized into 2 categories:

- a) Securities upto the “**cut-off period of amortization**” (Presently 91 days).
- b) Securities above “**cut-off period of amortization**”.

Further the instruments Commercial Paper (CP), Bonds and Non-Convertible Debentures (NCDs) etc are categorized into three sub-categories:-

- 1) NBFC
- 2) Real Estate, PTC, etc
- 3) Others

The Valuation Policy of Debt and Money Market Instruments is given below:

Sr. No.	Instrument	Valuation applicable on the day of valuation
1	CBLO, REPO, Fixed Deposit, Call Money, etc and such Similar Instruments	On Amortization basis / Accrual basis.
2	Certificate of Deposit (CD), Commercial Paper (CP), Non-Convertible Debenture (NCD) Pass Through Certificate (PTC), Bonds, Asset Backed Securities (ABS), Mortgage Backed Securities (MBS), etc	
	i) Same security traded / reported on a Public Platform.	On Weighted Average yield of all trades for that Securities on that day irrespective of settlement day.
	ii) If Same Security not traded, but “Similar Security” w.r.t respective category and sub-category as defined above, if traded / reported on Public Platform	On Weighted Average yield of all the trades of all such “Similar Securities” on that day, irrespective of settlement day.
	iii) If Same and Similar Securities not traded / reported on Public Platform	
	a) For Securities having remaining maturity upto the “Cut-off period of Amortization”.	On Amortization basis based on last valuation of Securities in the portfolio and on remaining maturity.
	b) For Securities having maturity above “Cut-off period of Amortization”	Valuation shall be taken as per the corresponding “Bond Valuer Aggregator” for that day for respective sub-categories of securities.
3	Central Government Securities / State Government Securities / Treasury Bills	Valuation as per aggregator for such securities by Crisil or any other agencies entrusted by SEBI from time to time for that day.

The transaction data for debt securities are generally provided by agencies like Bilav Information Services LLP etc. The AMC may use the services of any of such agencies for processing of such transaction data for the purpose of portfolio valuation. The data on yield are generally provided upto 4 decimal point which would be considered for arriving at the weighted average yield and in turn the valuation of the security.

Valuation of Inter Scheme Transfer (IST):

If the same or “Similar Security” is traded, the Inter Scheme shall be done on the Weighted Average Yield of Same / “Similar Security” traded upto the time of IST.

If no trades are available for Same or “Similar Security” till that time on that day the previous day closing prices shall be taken.

AMC may take screen shot/ downloaded excel file from FTRAC for the same purpose .

Related matters

- i) In case of any other instruments not mentioned above and not covered in the policy above, the same shall be referred to the Investment and Valuation Committee which is empowered to take decision.
- ii) In the case of an event where the market quotes available are no longer reliable, the valuation of the respective Securities for that day will be approved by the Investment and Valuation Committee keeping in mind the prevailing market conditions, the last traded prices and such other factors affecting the valuation. Also in case the data provided by such agencies/sources indicate any abnormal trade in term of price/yield which is not in line with general trades which

have taken place on the day, such data may be excluded for the valuation purpose to arrive at reasonable and realistic price of a portfolio securities. For this purpose, the abnormal situation would be if the yield mentioned in the transaction is over +/- 250 Basis Point compared to the previous day weighted yield.

- iii) In case of any perceived conflict of interest while valuating the securities, the matter shall be dealt and decided by Investment and Valuation Committee.
- iv) For non-business day the valuation shall be done on amortization basis based on last valuation of Securities in the portfolio.

Date : 20th April, 2012

➤ **Sahara Gilt Fund**

1) Notice is hereby given to the Unit holders of Sahara Gilt Fund ('the scheme') that the Board of Trustees of Sahara Mutual Fund ('the fund') have approved the modification in the asset allocation of Sahara Gilt Fund with effect from 20th April, 2012:

Sahara Gilt Fund

Central Govt. Securities & T Bill / State Govt. Securities	0-100%
CBLO/ Call Market/ Reverse Repo or similar instruments	0-100%

In accordance with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996, all the existing Unit holders under the Scheme are being given an option to exit the Scheme at the Applicable Net Asset Value without any exit load on such redemption commencing from 20th March, 2012 to 19th April, 2012 (both days inclusive).

If a Unit holder has no objection to the above proposal, no action needs to be taken by him/her and it would be deemed that such Unit holder has consented to the above proposal. However, in case the Unit holder does not agree to the same, he/she has the option to redeem/switch-out units held by them under the Scheme by filling out the redemption/switch-out transaction slip and submitting the same to any of the Investor Service Centres or the Registrar and Transfer Agent viz. Karvy Computershare Private Limited between 20th March, 2012 to 19th April, 2012 upto 3.00 p.m. It may however, be noted that the offer to exit is purely optional and not compulsory.

Further, the option to exit the Scheme is available to all Unit holders except for Unit holders:

1. who have pledged their units, unless they procure a release of their pledges and exercise their exit option on or before 3:00 p.m. upto 19th April, 2012.
2. whose units are marked under lien/injunction in accordance with the instructions of any Court of Law/Income Tax Authority/other Regulatory Authority unless they get the vacation order & exercise their exit option on or before 3.00 p.m. upto 19th April, 2012.

Unit holders under the Scheme as on 17th March, 2012 are being sent a detailed communication in this regard, through an appropriate mode of communication (post, courier, email, etc). For any further assistance/clarification, Unit holders may contact us on 022-67520121-27 or alternatively, email us at saharamutual@saharamutual.com or visit our website www.saharamutual.com

Date : 16th March 2012

- **NOTICE** is hereby given in respect of all the Schemes of Sahara Mutual Fund regarding change in modification to the process of change of address and change of Bank details being carried out w.e.f 1st May 2012.

1. Process for change in Bank Mandate

- a. Investor should submit duly filled "Multiple Bank Account Registration Form or Change of Bank Mandate form" at any of the official point of acceptance of Sahara Mutual Fund.
- b. The investors have to submit in original any one of the following documents of the new bank account:
 - i. Cancelled original cheque of the new bank mandate with first unit holder name and bank account number printed on the face of the cheque. ii. Self attested copy of bank statement. iii. Bank passbook with current entries not older than three (3) months. iv. Bank Letter duly signed by branch Manager/authorized personnel.
- c. Investors are also required to submit in original any one of the following document of the existing bank account:
 - i. Cancelled original cheque with first unit holder name and bank account number printed on the face of the cheque. ii. Bank account statement/Pass book. iii. Bank letter on the letterhead confirming the bank account holder with the account details, duly signed and stamped by the Branch Manager/authorized personnel. iv. In case such bank

account is already closed, a duly signed and stamped original letter from such bank on the letter head of bank, confirming the closure of said account.

- d. If photocopies of the above stated documents are submitted, investor must produce the original for verification at the official point of acceptance of transaction. The original shall be returned to the investor over the counter upon verification. Kindly note that the photocopies submitted should be attested in original by the Branch Manager or Authorised personnel of the Bank.
- e. If any redemption requests is received within 15 days of submission or change in bank mandate/change of address, the redemption proceeds / communication shall be sent to the old bank a/c /old address.
- f. In case, the request for change in bank mandate is invalid/incomplete/dissatisfactory in respect of signature mismatch/ document insufficiency/not complying with any requirement as stated above, the request for such change will not be processed and redemption/Dividend proceeds, if any, will be processed in the last registered Bank account.

2. Process for change in Address

- a. Investor should submit duly filled "Change of Address form" or "change of address request letter" along with any one of the following documents at any of the official point of acceptance of transaction of Sahara Mutual Fund.
 - i. KYC Not Complied Folios/Clients:
 - Proof of new Address, and
 - Proof of Identity: Only PAN card copy if PAN is updated in the folio, or PAN/other proof of identity if PAN is not updated in the folio.
 - ii. KYC Complied Folios/Clients
 - Proof of new Address
 - Any other document/form that the KRA may specify from time to time.
- b. If photocopies of the above stated documents are submitted, investor must produce the original for verification at the official point of acceptance of transaction. The original shall be returned to the investor over the counter upon verification. Kindly note that the photocopies submitted should be properly attested/verified by entities authorized for attesting/verification of document.

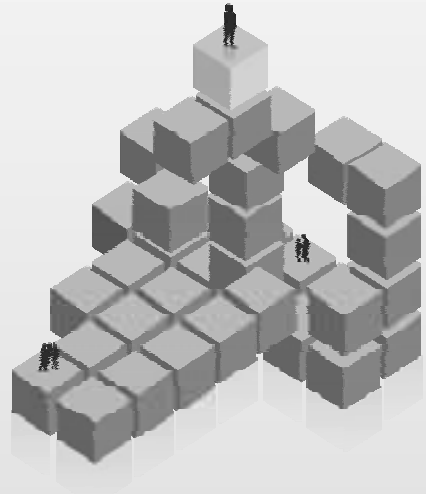
Date: 30th April, 2012

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Mutual Fund Investments are subject to market risks,
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Mutual Fund Investments are subject to market risks,
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If undelivered please return to :
Sahara Mutual Fund
97-98, Atlanta,
Nariman Point,
Mumbai 400 021.
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