

February 22, 2023

Dear Unitholder,

Sub: Movement of Asset Management Business and consequent change of asset management company from DSP Investment Managers Private Limited to DSP Asset Managers Private Limited (another DSP group entity) pursuant to an internal restructuring.

Thank you for investing in DSP High Conviction Fund Series 2 (Scheme), a closed ended scheme of DSP Alternative Investment Fund Category – III (Fund) (“**DSPAIF-C-III**”). We appreciate your continued trust in us. Please find herewith a detailed update about the movement of Asset Management Business and consequent change of the asset management company of DSPAIF-C-III pursuant to an internal restructuring of DSP group.

I. Background

DSPAIF-C-III is set up as a trust under the Indian Trust Act, 1882 through Indenture of Trust dated 28 May 2013, as amended from time to time (“**Indenture of Trust**”). DSPAIF-C-III has been registered with the Securities and Exchange Board of India (“**SEBI**”) under the SEBI (Alternative Investment Funds) Regulations, 2012 as amended from time to time (the “**AIF Regulations**”) to carry on the activities of a Category III alternative investment fund with the registration number IN/AIF3/13-14/0059 dated 13 June 2013.

The sponsors to DSPAIF-C-III are DSP ADIKO Holdings Private Limited (“**DSP ADIKO**”) and DSP HMK Holdings Private Limited (“**DSP HMK**”). DSP Investment Managers Private Limited (“**DSPIM**”) is acting as the asset management company to DSPAIF-C-III (“**AMC**”). DSP Trustee Private Limited (“**DSP Trustee**”) acts as the trustee to DSPAIF-C-III. DSPIM and DSP Trustee are registered as private limited companies and were incorporated under the Companies Act, 1956.

II. Internal restructuring

DSPIM will be demerged and shall transfer its asset management business to another DSP group entity i.e., DSP Asset Managers Private Limited (“**DSPAM**”) pursuant to a scheme of arrangement under Sections 230 to 232 of the Companies Act, 2013 (the “**Demerger**”). DSPAM is a company incorporated and registered under the provisions of the Companies Act, 2013 having its registered office situated at 11th Floor, Plot 221/222, Mafatal Centre, Vidhan Bhavan Marg, Nariman Point, Mumbai – 400021.

The asset management business, inter alia, includes DSPIM acting as the AMC of DSPAIF-C-III and as a result of the Demerger, DSPAM (instead of DSPIM) will be appointed as the AMC of DSPAIF-C-III with effect from April 01, 2023. The Demerger will be undertaken to facilitate raising of further capital for the asset management business by way of private or public issue at the opportune time, maximisation of returns to the shareholders, adequately rewarding and compensating its employees, better management of the residual business of DSPIM and providing greater flexibility in operations.

The Demerger has been approved by the Board of Directors of DSPIM, DSPAM and DSP Trustee post which an application was filed before the Hon'ble National Company Law Tribunal, Mumbai Bench (the “**NCLT**”) for approval of the Demerger. The NCLT was pleased to sanction and approve the Demerger vide its order dated October 20, 2022. Further, the Securities and Exchange Board of India (“**SEBI**”) vide its letter Ref. No. AFD/RAC/OW/YC/2022/23729/1 dated June 7, 2022 has also taken on record the change of AMC from DSPIM to DSPAM under the provisions of the AIF Regulations.

III. No material changes pursuant to Demerger

There will be no material change pursuant to the Demerger or change of AMC to DSPAM. In other words, the Demerger **SHALL NOT** result in ANY change in:

- (i) the shareholding pattern/control of the AMC, as DSPAM shall have an identical shareholding pattern to DSPIM prior to the Demerger;
- (ii) the sponsors of DSPAIF-C-III i.e., the sponsors will remain DSP ADIKO and DSP HMK;
- (iii) the structure of the board of directors of the AMC as all directors of DSPIM prior to the Demerger, shall be appointed as directors of DSPAM;
- (iv) the management team of the AMC as employees of DSPIM's asset management business shall be transferred to DSPAM to ensure there is no change in key managerial personnel or organization structure;
- (v) the infrastructure of the AMC as the relevant IT hardware and software, business contracts etc. of DSPIM shall be transferred to DSPAM pursuant to the Demerger;
- (vi) the Trustee of DSPAIF-C-III;

- (vii) the systems and procedures implemented by the AMC given that the same systems and procedures as DSPIM shall be transferred to and continued by DSPAM;
- (viii) the key service providers of the AMC as DSPAM will use the same bankers, custodian and Registrar and Transfer Agent as DSPIM prior to the Demerger; and
- (ix) the current fee structure, hurdle rate etc. of all schemes of DSPAIF-C-III, as these will also remain the same post the Demerger.

IV. Notice to unitholders regarding change of AMC

Paragraph 2(b)(iv) of SEBI circular no. CIR/IMD/DF/14/2014 on 'Guidelines on disclosures, reporting and clarifications under AIF Regulations' dated 19 June 2014 (the "SEBI AIF Guidelines") provides that an alternative investment fund must provide its unitholders an exit option (as per the prescribed process) in case of any material changes significantly influencing the investment decisions such as:

- (i) change in sponsor/manager (not including an internal restructuring within the group).
- (ii) change in control of sponsor/manager.
- (iii) change in fee structure or hurdle rate which may result in higher fees being charged to the unit holders.

In the present case, while the AMC of DSPAIF-C-III will change from DSPIM to DSPAM, the same will not trigger the provisions of Paragraph 2(b)(iv) of the SEBI AIF Guidelines as both DSPIM and DSPAM belong to the same DSP group and the demerger shall be undertaken pursuant to an internal restructuring that falls within the exemption granted under the SEBI AIF Guidelines.

Accordingly, the SEBI AIF Guidelines will not get triggered in the present case and no exit option needs to be given to the unitholders of the Scheme of DSPAIF-C-III as a result of the Demerger. SEBI has also confirmed this position and taken on record the change of AMC to DSPAM vide its letter Ref. No. AFD/RAC/OW/YC/2022/23729/1 dated June 7, 2022 (the "SEBI NOC") and we hereby intimate these proposed changes in writing to all unitholders of the Scheme of DSPAIF-C-III via this letter.

In case of any queries, unitholders may write to [service@dspim.com] or call at [1800 200 4499]. We look forward to your continued support.

Yours sincerely,

For DSP Investment Managers Private Limited

Sd/-

Mr. Kalpen Parekh
Director
DIN: 07925034