Alpha Alternatives Financial Services Private Limited

Investment Policy- April 2026

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1. Introduction

(i)The policy has been framed with the approval of the Board in its meeting held on April 24, 2026, in terms of para-B.7 of the Reserve Bank of India (Non-Banking Financial Companies-Classification, Valuation and Operation of Investment Portfolio) Directions, 2025 DOR. MRG. REC. No.273/00-00-014/2025-26 dated November 28, 2025.

(ii) The Investment Policy has articulated the NBFC's business model, portfolio strategy, risk management.

2. Business Model

The NBFC shall involve in the business of issuance of market linked debentures (MLDs) in compliance with the extant SEBI Regulations. These are highly rated MLDs having exclusive charge on assets managed under Commodities Absolute Return (CAR) and Equity Absolute Return (EQAR) strategies.

(i) CAR is a combination of active, non-directional and directional strategies, investing in commodities derivative markets, where instruments are liquid and traded on MCX and NCDEX and NSE exchanges.

(ii) EQAR is a combination of active, market non-directional and directional strategies, investing in underlying equity and equity derivative markets, where instruments are liquid and traded on NSE or BSE exchanges.

3. Portfolio Strategy

CAR and EQAR strategies may have investment in fixed income instruments, viz., government securities, corporate bonds, other eligible securities, which can be pledged with Equity and Commodity Exchanges for trading in derivatives segment. CAR and EQAR strategies may undertake short-term investment in corporate deposits and commercial papers for the purpose of efficient liquidity management.

3.1. CAR comprises various trading strategies, viz., option strategies, spread trading, long/short strategies, arbitrage strategies, etc.

(i) Option Strategies i.e. active trading strategies in commodities options, such as calendar spread, option spreads, volatility strategies

(ii) Spread Trading i.e. active trading between different contracts of the same or related underlying commodities, such as calendar spread trading, parity trades, etc.

(iii) Long/short Strategies i.e. long/short positions in diversified basket commodities

(iv) Arbitrage Strategies i.e. spread trade between different securities of the same underlying as index arbitrage, Conversion reversion

3.2. EQAR book comprises various trading strategies viz., options strategies, special situations trades, long/short strategies, arbitrage strategies, etc.

(i)Options strategies, i.e. active trading strategies in index and stock options, such as option spreads, volatility trading, index dispersion, calendar spreads, etc.

(ii)Special situations strategies i.e. trade based on events driven by corporate restructuring and, strategies such as open offer & buyback, delisting, mergers & acquisitions, demerger, IPO, etc.

(iii) Long/short strategies i.e. diversified basket of long stocks and short stocks

(iv) Arbitrage strategies i.e. spread trade between different securities of the same underlying, such as cash futures arbitrage, index arbitrage, etc.

Apart from trading and investments in CAR and EQAR strategies, the Company may have investment book for achieving short term and long-term investment goals. Investments done by the Company shall be independent of investments made in CAR / EQAR strategies.

4. Investment Committee

The NBFC shall constitute an Investment Committee, headed by the Executive Director and Investment Heads, Treasury Head, Chief Operating Officer, and Chief Finance Officer being the other members. Chief Compliance Officer and Chief Risk Officer may also be invited for the meeting of Investment committee. The Committee shall meet at least once in a quarter, or more frequently, as and when necessitated. Any four members with approving authority shall constitute the quorum.

The committee shall:

(i) frame guidance for the investment strategies of the market linked debentures (MLDs)

(ii) review of the investment strategies viz. CAR and EQAR

(iii) set risk limits for the investment strategies

(iv) approve the investments and classification into current and long-term investments

(v) approve disposal of the investments

(vi) evaluate various investment opportunities for the NBFC

(vii) approve pricing, valuation models for various complex financial instruments viz. Options, Swaps, etc.

The roles and responsibilities of other functions like Investment team, Back Office, Treasury, Compliance, Risk and IT are elaborated in Annexure 1 of this policy.

5. Classification of investments

The investments in securities shall be classified as current investment or long-term investment at the time of making each investment. Current investment means investment which is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made and long-term investment means an investment other than a current investment.

6. Accounting and valuation methods for investments

Ind AS 109 on Financial Instruments, dictate the accounting and valuation methods for investments. Investments shall be classified and valued based on NBFC's business model for managing financial assets and the contractual cash flow characteristics of the instruments.

(i)Amortized Cost: Certain debt instruments held with the intention of collecting contractual cash flows shall be measured at amortized cost.

(ii)Fair Value through Profit or Loss (FVTPL): The investments made under CAR and EQAR strategies shall be carried at fair value, with changes recognized in the profit and loss statement.

(iii)Fair Value through Other Comprehensive Income (FVTOCI): Certain equity investments shall be irrevocably designated as FVTOCI.

7. Income from Investments

(i)The income from dividend on shares of corporate bodies and units of mutual funds shall be considered only on cash basis. When such dividend has been declared by the corporate bodies in their annual general meetings and the NBFC's right to receive payment is established, the income from dividend on shares of corporate bodies may be considered on accrual basis.

(ii) The income from bonds and debentures of corporate bodies and from government securities / bonds may be considered on accrual basis, provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(iii) The income on securities of corporate bodies or public-sector undertakings may be considered on accrual basis, provided the payment of interest and repayment of principal of which have been guaranteed by central government or a state government.

8. Transactions in Government Securities

The NBFC may undertake transactions in Government Securities through its constituent subsidiary general account, as permitted by the Reserve Bank of India

9. Investments in Alternative Investment Funds (AIFs)

(i) The NBFC shall not invest in any scheme of an AIF, which has downstream investments, either directly or indirectly, in its debtor company. However, downstream investments in equity shares of the debtor company may be made. The debtor company means any company to which the NBFC currently has or previously had a loan or investment exposure during the preceding 12 months.

(ii) Where an AIF scheme, in which an NBFC is already an investor, makes a downstream investment in a debtor company of the NBFC, the NBFC shall liquidate its investment in such scheme within 30 days from the date of such downstream investment by the AIF. In case the NBFC cannot liquidate its investment within the period specified, shall make 100% provision on such investments. Such provisioning shall be required only to the extent of investment by the NBFC in the AIF scheme, which is further invested by the AIF in the debtor company, and not on the entire investment of the NBFC in the AIF scheme.

(iii) The investment by the NBFC in the subordinated units of any AIF scheme with a 'priority distribution model' shall be subject to full deduction equally from both Tier 1 and Tier 2 capital of the NBFC. Priority distribution model shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/POD/P/CIR/2022/157 dated November 23, 2022.

(iv) Where the NBFC invests in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, the NBFC shall be required to comply with paragraph (ii) in addition to the requirements under paragraph (iii) above.

10. Investments in Interest Rate Futures

The NBFC may participate in the designated interest rate futures (IRF) exchanges recognized by SEBI, as client, subject to adherence to instructions contained in Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019, for the purpose of hedging its underlying exposures. An NBFC participating in IRF exchanges shall submit the data in this regard half yearly, in the prescribed format, to the Regional Office of the Department of Supervision of the Reserve Bank in whose jurisdiction its company is registered, within a period of one month from the close of the half year.

11. Participation in repo transactions in corporate debt securities

The NBFC may participate in repo transactions in corporate debt securities, subject to compliance with the Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018, issued by FMRD, Reserve Bank of India and the following provisions:

(i) Capital Adequacy: The risk weights for credit risk for assets that are the collateral for such transactions as well as risk weights for the counterparty credit risk shall be assigned in accordance with the provisions applicable to the issuer/counterparty under Reserve Bank of India (Non-Banking Financial Companies-Prudential Norms on Capital Adequacy) Directions, 2025.

(ii)Classification of balances in the accounts: The balances in repo account, reverse repo account, and other related accounts shall be classified in the relevant schedules of the financial statements, in the same manner as applicable to banks.

12. Participation in Interest Rate Futures

The NBFC may participate in the interest rate futures market permitted on recognized stock exchanges as a trading member, subject to adherence to instructions contained in Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019.

13. Reporting and Balance Sheet Disclosure

The NBFC shall ensure transparent reporting of the investment portfolios in its financial statements. The balance sheet shall disclose details on CRAR, exposure to sensitive sectors like real estate, and the maturity pattern of assets and liabilities.

14. Asset Classification and Provisioning

As per Ind AS provisioning for the impaired obligations/ recognition shall be based on Expected Credit Loss (ECL) model. The ECL method is required to be applied to the financial instruments measured at amortized cost and at FVOCI.

15. Broker On-Boarding Evaluation

The Company shall follow a structured evaluation and onboarding mechanism for equity and commodity brokers to ensure empaneled stockbrokers have financial stability and follow ethical business practices. Stockbrokers must meet following eligibility criteria –

(i) Registered with the relevant regulatory authority

(ii) Holding a valid license for trading and brokerage services

(iii) Having a minimum operational history i.e. 3 years

(iv) Demonstrating financial stability through audited financials

(v) In compliant with anti-money laundering (AML) and know-your-customer (KYC) norms

(vi) No penalty for violation of Securities Regulation

16. Valuation methodology

(i) Quoted Investments: All listed / quoted investments shall be valued at market value which is exchange closing price of the instrument.

(ii) Option Derivatives: The positions in Option derivatives can be in index options, stock options, and commodity options. These option contracts are actively traded on exchanges. Risk valuation of options involves calculation of implied volatilities and decomposition of option greeks. Option contracts should be valued at the closing price of these contracts on stock exchanges. The market follows Black-Scholes model for pricing the options. The same model shall be followed to calculate implied volatilities and option greeks and exposure.

(iii) Un-quoted Investment:

a. Equity and Preference Shares: Unquoted equity shares shall be valued at Fair value.
b. Debentures, Repo: Investments in unquoted debentures shall be valued amortized cost.

17. Risk Management

The NBFCs shall adhere to strict risk and concentration limits to ensure the risk is taken within the ambit of risk appetite and control.

(i) The NBFC shall maintain a minimum CRAR of 15%. Unrealised gains from fair valuation of financial instruments shall not be included in the capital fund.

(ii) The NBFC shall not have exposure (credit/investment taken together) exceeding 25% of its Tier 1 capital to a single party and 40% of its Tier 1 capital to a single group of parties. It may exceed the exposure norm specified above with the approval of the Board, by 5% for any single party and by 10% for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment.

These exposure norms shall not apply to:

(1) investments of an NBFC in shares of (i) its subsidiaries; (ii) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF; and

(2) the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with – (i) subsidiaries of the NBFC; and (ii) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF.

(iii) Investment team shall have below mentioned approval limits. Any exception to these limits requires approval from IC.

Types of Instruments	**EQAR***	**CAR***	**NBFC`s Investment book***
Commodity FnO contracts tradable in MCX, NSE or NCDEX platforms	✗	✓	✓
Equity FnO tradable in NSE or BSE platforms	✓	✗	✓
Gsec, T-Bills, SDL	No limit	No limit	No limit
Listed Equity shares	20%	NA	INR 250 cr
Unlisted equity shares (equity, warrants, preference, convertible)	IC approval	NA	IC approval

Equity Mutual Funds and ETFs	25%	NA	25%
Debt Mutual Funds, Liquid Funds	75%	75%	75%
Commodity ETFs	NA	IC approval	IC approval
Equity IPOs / QIP (with IC approval)	IC approval	NA	IC approval
Investment opportunities arising from special situations such as open offer, merger, demerger, etc. (with IC approval)	IC approval	NA	IC approval
Corporate Bonds (AAA, AA, A rating) CPs, CDs (A1+, A1 rating)	50%	50%	50%
Fixed Income Portfolio – Duration limit	5	5	5
Others -	**With IC approval**	**With IC approval**	**With IC approval**
Interest Rate Derivatives (Interest Rate Futures, Interest Rate Swaps, Overnight Index Swaps. CBLO/TREPS based lending) (for hedging of interest rate exposures)			
Fixed Deposits / Recurring Deposits of Scheduled Commercial Banks			
Units of AIFs, REITs, INVITs			
Portfolio Management schemes (equity or debt)			
Other quasi equity/ quasi debt / hybrid instruments			
Currencies and related derivatives (for hedging currency exposures)			
Any Other			

* FOR EQAR and CAR strategies, limits are as %age of AUM of strategies. For NBFC, exposure limits are as %age of as total value of investment book of NBFC other than CAR and EQAR strategies.

Procedures and responsibilities of Risk monitoring are explained in detail in Annexure 2.

18. Review of the Policy

The Board shall review the Investment Policy on an annual basis, or more frequently, keeping in view the changes in regulations.

Annexure 1 – Procedures for Trading and Investment Activity

A. Roles and Responsibilities

For trading activity for EQAR, CAR and Proprietary books, various teams shall have below responsibilities:

1. **Investment Team:** The Investment team headed by Investment Head shall actively look out for various trading and investment opportunities within the framework defined in Investment Policy. The Investment team shall:

(i) Research novel investment opportunities
(ii) Evaluate and execute trading and investment opportunities
(iii) Pass the instructions to dealers to execute the trades
(iv) Optimize risk budgets across various trading positions
(v) Ensuring investment and trading positions are withing regulatory limits
(vi) Be the primary owner of risk – First Line of Defense
(vii) Monitoring real time P/L of open positions
(viii) Maintaining loss limits defined as per the Company's risk frameworks

2. **Back Office:** The Back Office team is responsible for supporting the Investment team in discharge of its duties. Team shall be responsible for the following activities:

(i) Defining Single Order limits, loss limits, exchange level and allocation of margins for each trading terminal as approved by the Investment Head or senior member of Investment Team appointed by Investment head
(ii) Block the scrips for trading defined as banned scrips by Exchanges / Compliance / Risk or IC
(iii) Monitoring of terminal limits and exchange level exposure and Open Interest limits
(iv) Monitoring the margin utilization and sending alerts to the Investment Team
(v) Ensuring margin requirements are met in case of FnO contracts
(vi) Live MTM monitoring and sending alerts to Investment and Treasury teams
(vii) Keeping records of trade instructions given by investment team
(viii) Reconcile the trades, daily marked to market between trading team and brokers contract notes, Exchange pay-in, pay-outs with PnL report, Equity open positions with DP statement, GSecs and Fixed Income positions with DP statement
(ix) For Fixed Income OTC (Over the Counter) trades –
    a. Trade confirmation with Agent / Broker as per deal ticket generated
    b. Issuing instructions to DP team for settlement
    c. Reporting of Fixed Income OTC trades on exchange platform

3. Mid office:

(i) Monitoring and reporting of daily Gross and Net PnL of the strategies

(ii) Monitoring daily, weekly, monthly and yearly performance of the trading strategies

(iii) Calculation of Net Asset Value and Asset Under Management for strategies

(iv) Sending alerts to Senior Management in case of breach in loss limits

4. Treasury:

(i) Ensuring availability of funds to meet daily MTM requirements

(ii) Settlement of Fixed Income OTC trades

(iii) Pledge / un-pledge of eligible instruments used for trading in CAR and EQAR strategies

(iv) Efficient management of liquidity

5. Risk Team:

(i) Identifying the primary and secondary risk measures as per the trading strategies

(ii) Defining risk framework and risk limits for trading strategies

(iii) Preparing Risk policy which comprises of risk parameters, risk thresholds and risk limits for trading strategies

(iv) Monitor the risk parameters on end of day open positions

(v) Escalate the deviations to IC and Risk Management Committee

B. Investment Evaluation

The following key parameters shall be considered while conducting Investment Evaluation depending on tenor and nature of investments.

(i) Trading Positions: Liquidity, leverage in case of FnO, sensitivity of positions to changes in interest rates, market volatility, market wide position, risk – return tradeoff, macro and micro factors affecting the positions. Trading positions shall be taken by investment teams under guidance of Investment Head.

(ii) Investments: Return generation profile under different scenarios, risk assessment, liquidity, counterparty assessment, collateral diligence, exit options, leverage requirement for the transaction. Investment positions, both short term and longer duration, will require IC approval.

C. Procedure to be followed by Over the Counter (OTC) trades:

1. Corporate bond market is dominated by OTC trades. Following precautions should be taken to reduce the counterparty risk:

(i) All deals should be confirmed by dealer on recorded phone lines

(ii) Trade shall be executed via reputed agents / brokers

(iii) Back-office team shall communicate trade confirmation with counterparty independently and shall report the trades on exchange platforms

2. Other OTC deals:

   The Company can enter OIS or other derivatives deals by ensuring -

(i) Only Officials authorized for such deals, execute transactions

(ii) Transaction limits are adhered to

(iii) Approved Mark-to-Market valuation methodology and monitoring of derivative positions

(iv) Segregation of duties between the front office, middle office, and back office

(v) Risk identification, measurement, and controls

(vi) Approved Accounting policies and disclosure norms

Annexure 2 – Procedures for Risk Monitoring

The investment team are primary responsible for monitoring and mitigating the risk of its trading positions. The Risk team shall independently identify the risks, define risk frameworks and risk limits and measures, monitor and highlight the risk positions.

Risk team shall formulate the risk framework which consists of primary risk parameters and methodology of measures of these parameters. The Risk team shall prepare the risk appetite of the Company and its investment strategies and define the risk limits accordingly. The risk framework shall be part of the Risk Management Policy.

Risk monitoring can be classified in three parts -

(i) Intraday live risk Monitoring:

a. The investment team shall continuously monitor live MTM to ensure it remains within approved limits

b. Sensitivity of derivatives positions, Greeks with respect to price changes in underlying instruments shall be tracked

c. Real-time dashboards shall be developed which helps in monitoring MTM, margins utilisation, exposure and open interest, option greeks

d. Positions built in CAR and EQAR strategies should have high liquidity

(ii) Operational Risk:

a. Back-office team shall ensure that all trading terminals have single order limits, margin limits and loss limits established.

b. Operations team shall do daily reconciliation of DMAT holdings, trades, MTM with brokers report.

c. MIS team shall generate portfolio MIS on daily basis independently. Any exceptions / breach in limits should be highlighted to senior management on priority.

d. Any breach in MIS, bank and DMAT reconciliations should be escalated. Any breach in margin utilization limits, MTM requirements should be escalated immediately.

(iii) End of Day open positions Risk Monitoring:

a. The Risk team shall independently oversee end-of-day open position exposure

b. Any breaches relative to established risk limits will be identified and promptly escalated to the Investment Committee or senior management for further review

c. Risk models should measure the primary risk parameters and conduct scenario and stress analysis. There can be various primary risk measures depending on the strategy and underlying instrument. These can be but not limited to Opening Gap Risk, Value at Risk, Option Greeks, Duration, 01 PVBP, shift in yield curve, etc.

The Risk Management Policy shall bring out the primary risk vectors arising from trading and investment activities. These can include below but are not limited to:

Risk	**Description**	**Risk Measures**
Market Risk	The risk that arises from market volatility and movement in prices of instruments	Opening Gap | Scenario Analysis | Stress Testing
Credit Risk	Investment in corporate bonds have the default risk	Ratings and Concentration Limits
Regulatory Risk	The risk of breaching the regulatory exposure limits	Single group / issuer exposure limits
Interest Rate Risk	As majority investments are in Fixed Income instruments, changes in yields will have impact on bond valuations	Duration | 01PVBP
Liquidity Risk	Risk of incurring losses while liquidating trading / investment positions	Days to liquidate the positions
Operational Risk	The risk of losses caused by failure in processes, systems or events that disrupt business operations	Terminal Limits | Single Order Limits |