

Dear Investor,

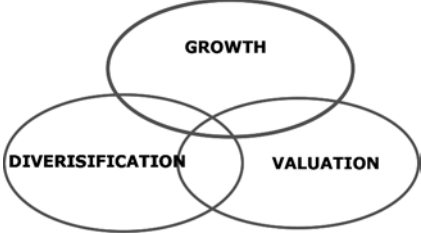

We thank you for your investments in ICICI Prudential Equity Arbitrage Fund (the Scheme).

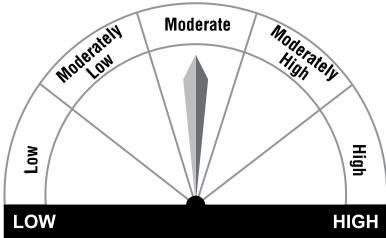
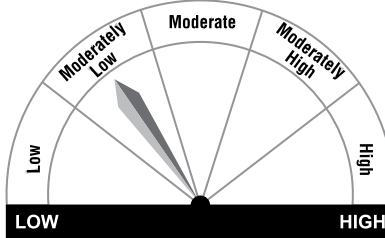
We continue on our journey of striving to bridge the gap between savings and investments to help create long term wealth and value for our investors. In this regard, we are proposing to make a change in fundamental attributes of the Scheme. As an investor in the Scheme, we would like to share with you the changes so that you can take an appropriate and informed decision. These changes will be effective from closure of business hours on August 28, 2019 ("Effective Date").

The proposed changes are as follows:

Feature of the Scheme	Existing Provision	Proposed Provision																																							
Name of the Scheme	ICICI Prudential Equity Arbitrage Fund	No change																																							
Type of Scheme	An open ended scheme investing in arbitrage opportunities	No change																																							
Investment Objective	To generate low volatility returns by using arbitrage and other derivative strategies in equity markets and investments in short-term debt portfolio. However there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	To generate low volatility returns by using arbitrage and other derivative strategies in equity markets and investments in debt and money market instruments. However there can be no assurance or guarantee that the investment objective of the scheme would be achieved.																																							
Asset Allocation Pattern	<table border="1"> <thead> <tr> <th>Instruments</th> <th>Allocation (%)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Equity & Equity Derivatives (equity hedged exposure)#</td> <td>65 – 80</td> <td>Medium to High</td> </tr> <tr> <td>Debt*</td> <td>20 – 35</td> <td>Low to Medium</td> </tr> </tbody> </table> <p># In Equity - Arbitrage Fund, unhedged equity exposure shall be limited to 5% of the overall portfolio. Unhedged equity exposure means exposure to equity shares alone without a corresponding equity derivative exposure. The margin money requirement for the purposes of derivative exposure will be held in the form of Term Deposit.</p> <p>* Exposure to the Securitised debt will not exceed 50% of the debt portfolio.</p> <p>** Including derivatives instruments to the extent permitted vide SEBI Circular no. DNP/Cir-29/2005 dated September 14, 2005, Circular no. DNP/Cir-30/2006 dated January 20, 2006 and Circular no. SEBI/DNP/Cir-31/2006 dated September 22, 2006 and Circular no. Cir/IMD/DF/11/2010 dated August 18, 2010 on 'Trading by Mutual Fund in Exchange Traded Derivative Contracts'.</p> <p>Whenever the equity and equity derivative investment strategy is not likely to give return comparable with the fixed income securities portfolio, the fund manager will invest in fixed income securities.</p> <p>The above percentages would be adhered to at the point of investment in a stock. The portfolio would be reviewed quarterly to address any deviations from the aforementioned allocations due to market changes.</p> <ul style="list-style-type: none"> The Cumulative Gross Exposure to Equity, Debt and Derivatives Positions will 	Instruments	Allocation (%)	Risk Profile	Equity & Equity Derivatives (equity hedged exposure)#	65 – 80	Medium to High	Debt*	20 – 35	Low to Medium	<p>Under normal circumstances, the asset allocation of the Scheme shall be as per table below:</p> <table border="1"> <thead> <tr> <th>Instruments</th> <th>Allocation (%)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Equity & Equity Derivatives (equity hedged exposure)</td> <td>65 – 90</td> <td>Medium to High</td> </tr> <tr> <td>Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes</td> <td>10 – 35</td> <td>Low to Medium</td> </tr> <tr> <td>Units issued by REITs and InvTs,</td> <td>0 – 10</td> <td>Medium to High</td> </tr> <tr> <td>Preference Shares or any other asset as may be permitted by SEBI from time to time.</td> <td>0 – 10</td> <td>Medium to High</td> </tr> </tbody> </table> <p>In defensive circumstances the asset allocation will be as per the table below:</p> <table border="1"> <thead> <tr> <th>Instruments</th> <th>Allocation (%)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Equity & Equity Derivatives (equity hedged exposure)</td> <td>0 – 65</td> <td>Medium to High</td> </tr> <tr> <td>Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes</td> <td>35 – 100</td> <td>Low to Medium</td> </tr> <tr> <td>Units issued by REITs and InvTs,</td> <td>0 – 10</td> <td>Medium to High</td> </tr> <tr> <td>Preference Shares or any other asset as may be permitted by SEBI from time to time.</td> <td>0 – 10</td> <td>Medium to High</td> </tr> </tbody> </table> <p>Whenever the equity and equity derivative investment strategy is not likely to give return comparable with the fixed income securities portfolio or fresh arbitrage opportunities are not available, the fund manager may take.</p>	Instruments	Allocation (%)	Risk Profile	Equity & Equity Derivatives (equity hedged exposure)	65 – 90	Medium to High	Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes	10 – 35	Low to Medium	Units issued by REITs and InvTs,	0 – 10	Medium to High	Preference Shares or any other asset as may be permitted by SEBI from time to time.	0 – 10	Medium to High	Instruments	Allocation (%)	Risk Profile	Equity & Equity Derivatives (equity hedged exposure)	0 – 65	Medium to High	Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes	35 – 100	Low to Medium	Units issued by REITs and InvTs,	0 – 10	Medium to High	Preference Shares or any other asset as may be permitted by SEBI from time to time.	0 – 10	Medium to High
Instruments	Allocation (%)	Risk Profile																																							
Equity & Equity Derivatives (equity hedged exposure)#	65 – 80	Medium to High																																							
Debt*	20 – 35	Low to Medium																																							
Instruments	Allocation (%)	Risk Profile																																							
Equity & Equity Derivatives (equity hedged exposure)	65 – 90	Medium to High																																							
Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes	10 – 35	Low to Medium																																							
Units issued by REITs and InvTs,	0 – 10	Medium to High																																							
Preference Shares or any other asset as may be permitted by SEBI from time to time.	0 – 10	Medium to High																																							
Instruments	Allocation (%)	Risk Profile																																							
Equity & Equity Derivatives (equity hedged exposure)	0 – 65	Medium to High																																							
Debt and Money Market Instruments, including Units of Debt oriented mutual fund schemes	35 – 100	Low to Medium																																							
Units issued by REITs and InvTs,	0 – 10	Medium to High																																							
Preference Shares or any other asset as may be permitted by SEBI from time to time.	0 – 10	Medium to High																																							

Feature of the Scheme	Existing Provision	Proposed Provision
	<p>not exceed 100% of the Net Assets of the Scheme.</p> <ul style="list-style-type: none"> • It may be noted that no prior intimation/ indication would be given to investors when the composition/asset allocation pattern under the scheme undergo changes within the permitted band as indicated above or for changes due to defensive positioning of the portfolio with a view to protect the interest of the unit holders on a temporary basis. The investors/unit holders can ascertain details of asset allocation of the scheme as on the last date of each month on AMC's website at www.icicipruamc.com that will display the asset allocation of the scheme as on the given day. • Considering the inherent characteristics of the Scheme, equity positions would have to built-up gradually and also sold off gradually. This would necessarily entail having large cash position before the portfolio is fully invested and during periods when equity positions are being sold off to book profits/losses or to meet redemption needs. • Investors may note that securities, which endeavor to provide higher returns typically, display higher volatility. Accordingly, the investment portfolio of the Scheme would reflect moderate to high volatility in its equity and equity related investments and low to moderate volatility in its debt and money market investments. 	<p>higher exposure in fixed income securities. Considering the inherent characteristics of the Scheme, equity positions would have to built-up gradually and also sold off gradually. This would necessarily entail having large cash position before the portfolio is fully invested and during periods when equity positions are being sold off to book profits/losses or to meet redemption needs</p> <p>The margin money for derivatives would be considered under Debt and Money Market Category. The margin money requirement for the purposes of derivative exposure can be held in the form of Term Deposit.</p> <p>* Exposure to the Securitised debt will not exceed 50% of the debt portfolio.</p> <p>** Including derivatives instruments to the extent permitted vide SEBI Circular no. DNP/Cir-29/2005 dated September 14, 2005, Circular no. DNP/Cir-30/2006 dated January 20, 2006 and Circular no. SEBI/DNP/Cir-31/2006 dated September 22, 2006 and Circular no. Cir/IMD/DF/11/2010 dated August 18, 2010 on 'Trading by Mutual Fund in Exchange Traded Derivative Contracts'.</p> <p>In the event of change in the asset allocation, the fund manager will carry out portfolio rebalancing within 30 Days.</p> <p>If owing to adverse market conditions or with the view to protect the interest of the investors, the fund manager is not able to rebalance the asset allocation within the above mentioned period, the same shall be reported to the Internal Investment Committee and reasons for the same shall be recorded in writing. The internal investment committee shall then decide on the future course of action.</p> <ul style="list-style-type: none"> • The Cumulative Gross Exposure to Equity, Debt and Derivatives Positions will not exceed 100% of the Net Assets of the Scheme. • It may be noted that no prior intimation/ indication would be given to investors when the composition/asset allocation pattern under the scheme undergo changes within the permitted band as indicated above or for changes due to defensive positioning of the portfolio with a view to protect the interest of the unit holders on a temporary basis. The investors/unit holders can ascertain details of asset allocation of the scheme as on the last date of each month on AMC's website at www.icicipruamc.com that will display the asset allocation of the scheme as on the given day.

Feature of the Scheme	Existing Provision	Proposed Provision
<p>Investment Strategy</p>	<p>Equity: The fund manager will invest into opportunities available across the market capitalization. The fund manager will use top down approach to identify growth sectors and bottom up approach to identify individual stocks. The AMC will follow a structured investment process using proprietary research tools to identify the sectors and the stocks for inclusion in the portfolio. The AMC shall follow the following investment principles for equity investments:</p>  <ul style="list-style-type: none"> • Follow the growth investment philosophy looking to invest in companies, which are growing at a rapid pace. • Look at valuation matrix, invest in companies which are available at attractive valuations on the price to earnings growth basis. Buy good companies at good prices and not at expensive prices. • Seek a diversified portfolio across various sectors to mitigate the concentration risk. <p>As a part of the larger process, the Scheme shall follow the following steps to identify, build and monitor its investments.</p>  <p>Identify: The investment team has identified a universe of more than 250 companies for evaluation purpose.</p> <p>Analyze: Quantitative tools shall be used to analyse the fundamentals of the companies in the universe to rank them on various valuation parameters like ROE, ROCE, PER, PBV, PEG, PCEPS, PEPS etc.</p>	<p>The Scheme will seek to generate income through arbitrage opportunities such as Index/ Stock Spot vs Index/Stock Futures or Index Futures vs Stock Futures or Future of same stock with different expiry months vs underlying shares etc.</p> <p>The Scheme would carry out simple strategies, which would be to take offsetting positions on various markets simultaneously across various asset classes. The overall risk the Scheme would carry would be that of being market neutral.</p> <p>Subject to the Regulations and the applicable guidelines, the Scheme may, engage in Stock Lending activities up to 50% of the net assets of the scheme.</p> <p>The Scheme may also invest in the hybrid securities viz. units of REITs and InvITs for diversification and subject to necessary stipulations by SEBI from time to time.</p> <p>Though every endeavor will be made to achieve the objective of the Scheme, the AMC/ Sponsors/Trustee do not guarantee that the investment objective of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.</p> <p>Fixed Income Securities</p> <p>The Scheme may also invest in Debt and Money Market Securities/Instruments (Money Market securities include cash and cash equivalents). The Scheme aims to identify securities which offer optimal level of yields/ returns, considering risk-reward ratio. With the aim of controlling risks rigorous in depth credit evaluation of the securities proposed to be invested in will be carried out by the Risk Management Team of the AMC. The credit evaluation includes a study of the operating environment of the issuer, the short as well as long-term financial health of the issuer. Rated debt instruments in which the Scheme invests will be of investment grade as rated by a credit rating agency. The AMC may consider the ratings of such Rating Agencies as approved by SEBI to carry out the functioning of rating agencies. The Scheme may invest in securitised debt.</p> <p>In addition, the investment team of the AMC will study the macro economic conditions, including the political, economic environment and factors affecting liquidity and interest rates. The AMC would use this analysis to attempt to predict the likely direction of interest rates and position the portfolio appropriately to take advantage of the same.</p>

Feature of the Scheme	Existing Provision	Proposed Provision
	<p>Review: The companies coming on top of the ranking after being analysed are reviewed with personal meetings or phone calls or discussion with third party agencies like brokers, rating agencies, independent researches etc. to arrive at the final view on the company.</p> <p>Build: The fund manager gives the order to the traders to buy the stocks at the agreed levels. The traders execute the strategy in the market seeking for optimum rates.</p> <p>Monitor: The portfolio is monitored on a regular basis by the portfolio manager with the help of the sector analysts.</p>	<p>Further, the Scheme may invest in other schemes managed by the AMC or in the schemes of any other Mutual Funds in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments.</p> <p>For the present, the Scheme does not intend to enter into underwriting obligations. However, if the Scheme does enter into an underwriting agreement, it would do so after complying with the Regulations and with the prior approval of the Board of the AMC/Trustee.</p> <p>The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. Such investment shall be made subject to the guidelines which may be prescribed.</p>
Benchmark	Nifty 50 Arbitrage Index	No change
Product labeling and Riskometer	<ul style="list-style-type: none"> Short term income generation solution An equity fund that aims for low volatility returns by using arbitrage and other derivative strategies in equity markets.  <p>Investors understand that their principal will be at Moderate risk</p>	<ul style="list-style-type: none"> Short term income generation A hybrid scheme that aims to generate low volatility returns by using arbitrage and other derivative strategies in equity markets and investments in debt and money market instruments.  <p>Investors understand that their principal will be at Moderately Low risk</p>

➤ **Risk Factors Associated with Investments in REITs and InvITs:**

Market Risk:

REITs and InvITs are volatile and prone to price fluctuations on a daily basis owing to market movements. Investors may note that AMC/Fund Manager's investment decisions may not always be profitable, as actual market movements may be at variance with the anticipated trends. The NAV of the Scheme is vulnerable to movements in the prices of securities invested by the scheme, due to various market related factors like changes in the general market conditions, factors and forces affecting capital market, level of interest rates, trading volumes, settlement periods and transfer procedures. The scheme will undertake active portfolio management as per the investment objective to reduce the market risk..

Liquidity Risk:

As the liquidity of the investments made by the Scheme(s) could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual Fund for liquidating the investments in the scheme may be high in the event of immediate redemption requirement. Investment in such securities may lead to increase in the scheme portfolio risk. The fund will try to maintain a proper asset-liability match to ensure redemption payments are made on time and not affected by illiquidity of the underlying units.

Reinvestment Risk:

Investments in REITs & InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of units or dividend pay-outs, etc. Consequently, the proceeds may get invested in assets providing lower returns. However, the reinvestment risk will be limited as the proceeds are expected to be a small portion of the portfolio value.

The above are some of the common risks associated with investments in REITs & InvITs. There can be no assurance that a Scheme's investment objectives will be achieved, or that there will be no loss of capital. Investment results may vary substantially on a monthly, quarterly or annual basis.

➤ **Investment Restrictions for investment in REITs and InvITs:**

A mutual fund may invest in the units of REITs and InvITs subject to the following:

- a) No Mutual Fund under all its schemes shall own more than 10% of units issued by a single issuer of REIT and InvIT; and
- b) A mutual fund Scheme shall not invest:
 - i. more than 10% of its NAV in the units of REIT and InvIT; and
 - ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

Provided that the limits mentioned in sub-clauses (i) and (ii) above shall not be applicable for investments in case of Index Fund or sector or industry specific scheme pertaining to REIT and InvIT.

1. Introduction of Creation of Segregated portfolios, Repo transactions in Corporate Debt securities, etc.

a. Segregation Of Portfolios

- **Below disclosures shall be/have been made in the Scheme Information Document (SID), under 'Information about the Scheme' and in the Statement of Information (SAI):**

The AMC may create a segregated portfolio of debt and money market instruments in a mutual fund scheme in case of a credit event and to deal with liquidity risk.

In this regard, the term 'segregated portfolio' shall mean a portfolio comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme and the term 'main portfolio' shall mean the scheme portfolio excluding the segregated portfolio. The term 'total portfolio' shall mean the scheme portfolio including the securities affected by the credit event.

A segregated portfolio may be created in a mutual fund scheme in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

- a. Downgrade of a debt or money market instrument to 'below investment grade', or
- b. Subsequent downgrades of the said instruments from 'below investment grade', or
- c. Similar such downgrades of a loan rating.

In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level.

- **Below additional disclosures have been made in the Statement of Information (SAI)**

Process for creation of segregated portfolio

1. The AMC shall decide on creation of segregated portfolio on the day of credit event, as per the process laid down below:
 - i. The AMC shall seek approval of Trustees, prior to creation of the segregated portfolio.
 - ii. The AMC shall immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. It shall also be disclosed that the segregation shall be subject to trustee approval. Additionally, the said press release shall be prominently disclosed on the website of the AMC.
 - iii. The AMC shall ensure that till the time the Trustee approval is received, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.
2. Upon receipt of approval from Trustees:
 - i. The segregated portfolio shall be effective from the day of credit event
 - ii. The AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
 - iii. An e-mail or SMS should be sent to all unit holders of the concerned scheme.
 - iv. The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
 - v. All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
 - vi. No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
3. If the trustees do not approve the proposal to segregate portfolio, the AMC shall issue a press release immediately informing investors of the same.
4. Notwithstanding the decision to segregate the debt and money market instrument, the valuation shall take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.
5. All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
 - a. Upon trustees' approval to create a segregated portfolio -
 - i. Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
 - ii. Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
 - b. In case trustees do not approve the proposal of segregated portfolio, subscription and redemption

applications will be processed based on the NAV of total portfolio.

6. In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:
 - a. A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.
 - b. Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.
 - c. The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
 - d. The information regarding number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.
 - e. The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, shall be disclosed as a footnote to the scheme performance.
 - f. The disclosures at paragraph (d) and (e) above regarding the segregated portfolio shall be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.
 - g. The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.
7. In order to ensure timely recovery of investments of the segregated portfolio, the Trustees to the fund would continuously monitor the progress and take suitable action as may be required.
8. TER for the Segregated Portfolio
 - a. AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.
 - b. The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
 - c. The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
 - d. The costs related to segregated portfolio shall in no case be charged to the main portfolio.

• **Risk factors associated with creation of segregated portfolios**

1. Liquidity risk – A segregated portfolio is created when a credit event occurs at an issuer level in the scheme. This may reduce the liquidity of the security issued by the said issuer, as demand for this security may reduce. This is also further accentuated by the lack of secondary market liquidity for corporate papers in India. As per SEBI norms, the scheme is to be closed for redemption and subscriptions until the segregated portfolio is created, running the risk of investors being unable to redeem their investments. However, it may be noted that, the proposed segregated portfolio is required to be formed within one day from the occurrence of the credit event.
Investors may note that no redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall list the units of the segregated portfolio on a recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests. For the units listed on the exchange, it is possible that the market price at which the units are traded may be at a discount to the NAV of such Units. There is no assurance that a deep secondary market will develop for units of segregated portfolio listed on the stock exchange. This could limit the ability of the investors to resell them.
2. Valuation risk - The valuation of the securities in the segregated portfolio is required to be carried out in line with the applicable SEBI guidelines. However, it may be difficult to ascertain the fair value of the securities due to absence of an active secondary market and difficulty to price in qualitative factors.

• **Numerical illustration explaining how segregated portfolios will work**

Total Assets under DEBT instruments : 10 lakhs

Total 2 investors in the Scheme:			Portfolio	Value
	Units	Amount		
Investor A	30000	375000	DEBT A	5,00,000
Investor B	50000	625000	DEBT B	3,00,000
			DEBT C	2,00,000
Total	80000	1000000	Total	10,00,000

NAV (Full Portfolio): ₹ 12.5

Security DEBT B downgrades and value falls from 3,00,000 to 280,000

Post Segregation			Main Portfolio	
Total 2 investors in the Scheme:	Units	Amount		
Investor A	30000	262500	DEBT C	2,00,000
Investor B	50000	437500		
Total	80000	700000	Total	7,00,000

NAV (Main Portfolio): ₹ 8.75

Post Segregation			Segregated Portfolio	
Total 2 investors in the Scheme:	Units	Amount		
Investor A (units)	30000	105000	DEBT B	2,80,000
Investor B (units)	50000	175000		
Total	80000	280000	Total	2,80,000

NAV (Segregated Portfolio): ₹ 3.5

	Units	Amount
Total Holding of Investor A	30000	367500
Total Holding of Investor B	50000	612500
Total		980000

Notes:

- Investors who invest / subscribe to the units of the Scheme post creation of segregated portfolio shall be allotted units in the Main Portfolio only.
- Investors redeeming their units post creation of segregated portfolio will get redemption proceeds based on NAV of main portfolio and will continue to hold units in Segregated portfolio.
- No redemption and / or subscription shall be allowed in the Segregated Portfolio.
- Units of Segregated portfolio shall be listed on a recognised stock exchange.

b. Repo transactions in Corporate Debt securities

• **Risk factors associated with Repo transactions in corporate debt securities:**

Lending transactions:

The scheme may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase agreement. However in repo lending transactions, the collateral may be sold and a loss is realized only if the sale price is less than the repo amount. The risk may be further mitigated through over-collateralization (the value of the collateral being more than the repo amount). Further, the liquidation of underlying securities in case of counterparty default would depend on liquidity of the securities and market conditions at that time. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation and over-collateralization to cushion the impact of market risk on sale of underlying security.

Borrowing transactions:

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin). This risk is normally mitigated by better cash flow planning to take care of such repayments. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

• **Investment restrictions for Exposure to Repo transactions in Corporate Debt Securities:**

Below stated conditions and norms shall apply to repo in corporate debt securities, which are subject to change as may be prescribed by SEBI and/or RBI from time to time:

- Any scheme shall not lend/borrow more than 10% of its net assets in repo against corporate debt securities.
- The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt, derivatives and any other permitted assets shall not exceed 100% of the net assets of the Scheme.
- The Scheme shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.
- The exposure limit/investment restrictions prescribed under the Seventh Schedule of the Regulations and circulars issued there under (wherever applicable) shall be applicable to repo transactions in corporate debt securities.
- Counterparty selection & credit rating

The AMC follows an issuer selection and approval process for fixed income investments and the same shall be used for selection of counterparties for repo in corporate debt securities. Repo transactions shall be

carried out with only those counterparties who have a credit rating of 'AA- and above' (Long term rating) or 'A1+' (Short term rating) provided by any credit rating agency as accredited by SEBI from time to time.

- vi. Tenor of Repo
Tenor of repo shall not exceed 6 months. There shall be no restriction/ limitation on the tenor of collateral.
- vii. Applicable haircut
The AMC would be guided by the parameters for applying haircut as may be specified by RBI and/or SEBI for undertaking repo in corporate debt securities, from time to time.
- viii. Rating of underlying instruments
The schemes shall participate in repo transactions only in AA (or equivalent short term rating) and above rated corporate debt securities.

- **Disclosure**

The details of repo transactions of the schemes in corporate debt securities, including details of counterparties, amount involved and percentage of the net asset value shall be disclosed to investors in the half yearly portfolio statements.

- c. **Change in Total Expense Ratio (TER)**

Maximum Total Expense Ratio under Regulation 52 (6) when the Scheme follows asset allocation pattern under normal circumstances:

- On the first ₹ 500 crores of the daily net assets - 2.25% p.a.
- On the next ₹ 250 crores of the daily net assets - 2.00% p.a.
- On the next ₹ 1,250 crores of the daily net assets - 1.75% p.a.
- On the next ₹ 3,000 crores of the daily net assets - 1.60% p.a.
- On the next ₹ 5,000 crores of the daily net assets - 1.50% p.a.
- On the next ₹ 40,000 crores of the daily net assets – Total expense ratio reduction of 0.05% for every increase of ₹ 5,000 crores of daily net assets or part thereof.
- On balance of the assets - 1.05% p.a.

Maximum Total Expense Ratio under Regulation 52 (6) when the Scheme follows asset allocation pattern under defensive circumstances:

- On the first ₹ 500 crores of the daily net assets - 2.00% p.a.
- On the next ₹ 250 crores of the daily net assets - 1.75% p.a.
- On the next ₹ 1,250 crores of the daily net assets - 1.50% p.a.
- On the next ₹ 3,000 crores of the daily net assets - 1.35% p.a.
- On the next ₹ 5,000 crores of the daily net assets - 1.25% p.a.
- On the next ₹ 40,000 crores of the daily net assets – Total expense ratio reduction of 0.05% for every increase of ₹ 5,000 crores of daily net assets or part thereof.
- On balance of the assets - 0.80% p.a.

Provisions related to Change in Fundamental Attributes

Securities and Exchange Board of India has communicated its no-objection for the above changes vide its letter no. IMD/DF3/OW/P/2019/177881 dated July 15, 2019.

A notice-cum-addendum detailing all the modifications is also available on the AMC's website i.e. www.icicpruamc.com.

While the Board of Trustees of ICICI Prudential Mutual Fund has approved the above change, we would request you to note that the aforesaid changes constitutes change in the fundamental attributes of the Scheme and requires compliance with Regulation 18(15A) of Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 (the Regulations).

In case you do not consent to the said change, you are entitled to exit the Scheme anytime between July 29, 2019 and August 28, 2019 (both days inclusive) & upto 3.00 pm on August 28, 2019 at applicable NAV without any exit load, if any, by submitting a valid redemption / switch request at any Official Point of Acceptance of the Fund. In case you do not exercise the exit option on or before 3.00 pm on August 28, 2019, it will be deemed that you have consented to the said change. If the units are held in dematerialized form, investors are requested to contact their Depository Participant.

We hope that you will provide us your support; in case of any queries you can reach our call centre on 18002006666/1800222999. We assure you that the proposed change is in line with our best endeavors to serve you better.

We shall continue to work towards your investment success and keep you updated on our views in the future.

**Yours sincerely,
ICICI Prudential Asset Management Company Limited**

**Sd/-
Authorized Signatory**

**Place: Mumbai
Date : July 24, 2019**

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