

## NOTICE-CUM-ADDENDUM

### Notice-cum-Addendum to the Scheme Information Document (SID)/Key Information Memorandum (KIM) of ICICI Prudential Equity Savings Fund (referred as 'the Scheme')

NOTICE IS HEREBY GIVEN THAT ICICI Prudential Trust Limited (the Trustee), has approved change in fundamental attributes of the Scheme with effect from closure of business hours on August 28, 2019 ("Effective Date").

Securities and Exchange Board of India has communicated its no-objection for the above changes vide its letter no. IMD/DF3/OW/P/2019/16938/1 dated July 4, 2019.

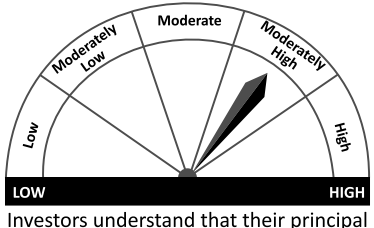
The existing and revised provisions of the Scheme are mentioned below:

	Existing Provisions	Proposed Provisions																																																							
<b>Name of the Scheme</b>	ICICI Prudential Equity Savings Fund	No Change																																																							
<b>Investment Objective</b>	The Scheme seeks to generate regular income through investments in fixed income securities and using arbitrage and other derivative strategies. The Scheme also intends to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments.  However there can be no assurance or guarantee that the investment objectives of the scheme will be achieved.	No Change																																																							
<b>Asset Allocation Pattern</b>	Under normal circumstances, the asset allocation under the Scheme will be as follows: <table border="1"> <thead> <tr> <th>Instruments</th> <th>Indicative allocation (% of corpus)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Equity &amp; Equity related instruments</td> <td>65 – 90</td> <td>Medium to High</td> </tr> <tr> <td>Of which Net Long (Unhedged position)</td> <td>15 – 50</td> <td>Medium to High</td> </tr> <tr> <td>Derivative</td> <td>0 – 90</td> <td>High</td> </tr> <tr> <td>Debt</td> <td>10 – 35</td> <td>Low to Medium</td> </tr> </tbody> </table> Under Defensive consideration the asset Allocation will be as following: <table border="1"> <thead> <tr> <th>Instruments</th> <th>Allocation (%)</th> </tr> </thead> <tbody> <tr> <td>Equity &amp; equity related instrument</td> <td>15 – 90</td> </tr> <tr> <td>Of which Net Long (Unhedged position)</td> <td>10 – 50</td> </tr> <tr> <td>Derivative</td> <td>0 – 90</td> </tr> <tr> <td>Debt</td> <td>10 – 85</td> </tr> </tbody> </table> This net long equity exposure is aimed to gain from potential capital appreciation and thus is a directional equity exposure which will not be hedged.  The Scheme may also take exposure to: <ul style="list-style-type: none"><li>ADR/GDR/Foreign securities/Overseas ETFs up to 50% of the Net Assets. Investments in ADR/GDR and foreign securities would be as per SEBI Circular dated September 26, 2007 as may be amended from time to time.</li><li>Securitized Debt up to 50% of the Net Assets or maximum permissible limit for debt portfolio, whichever is lower.</li><li>Stock lending up to 20% of its net assets. The Scheme shall also not lend more than 5% of its net assets to any single counter party.</li></ul> The cumulative gross exposure to equity, debt and derivatives positions shall not exceed 100% of the net assets of the Scheme.	Instruments	Indicative allocation (% of corpus)	Risk Profile	Equity & Equity related instruments	65 – 90	Medium to High	Of which Net Long (Unhedged position)	15 – 50	Medium to High	Derivative	0 – 90	High	Debt	10 – 35	Low to Medium	Instruments	Allocation (%)	Equity & equity related instrument	15 – 90	Of which Net Long (Unhedged position)	10 – 50	Derivative	0 – 90	Debt	10 – 85	Under normal circumstances, the asset allocation under the Scheme will be as follows: <table border="1"> <thead> <tr> <th>Instruments</th> <th>Indicative allocation (% of corpus)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Equity &amp; Equity related instruments (other than derivatives)</td> <td>65 – 90</td> <td>Medium to High</td> </tr> <tr> <td>Net Long (Unhedged position)</td> <td>15 – 50</td> <td>Medium to High</td> </tr> <tr> <td>Derivatives</td> <td>0 – 90</td> <td>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 INVITS, 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> Under Defensive consideration the asset Allocation will be as following: <table border="1"> <thead> <tr> <th>Instruments</th> <th>Allocation (%)</th> </tr> </thead> <tbody> <tr> <td>Equity &amp; equity related instrument (other than derivatives)</td> <td>15 – 90</td> </tr> <tr> <td>Net Long (Unhedged position)</td> <td>10 – 50</td> </tr> <tr> <td>Derivatives</td> <td>0 – 90</td> </tr> <tr> <td>Debt and Money Market instruments, including Units of Debt oriented mutual fund schemes</td> <td>10 – 85</td> </tr> <tr> <td>Units issued by REITS and INVITS, Preference Shares or any other asset as may be permitted by SEBI from time to time.</td> <td>0 – 10</td> </tr> </tbody> </table> Net Long (Unhedged Position) shall mean all long positions (in the form of equity and equity related securities and derivatives) netted off against all short derivatives positions.  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<b>Investment Strategy</b>	<b>Equities:</b> For the equity portion of the corpus, the AMC intends to invest in stocks, which are bought, typically with a medium to long-term time horizon.  The Scheme may also use various derivatives and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unit holders' interest.  The scheme would actively rebalance the equity portion of the portfolio depending on the market scenarios.  In a scenario where equity markets are attractive, the Scheme would exploit such opportunities with increased equity participation.  In a scenario where equity markets are expensive, the Scheme would reduce the equity participation and actively use arbitrage and cash to hedge the portfolio and generate low volatility returns.  The scheme will decide the attractiveness and expensiveness based on market valuations like price to earnings and price to book value. Based on the valuations derived from the stated financial parameters, if the markets are expensive, then considerable equity exposure will be hedged based on the asset allocation provided. When the markets are attractively valued, then net long equity exposure will be higher.  The Scheme may invest in other schemes managed by the AMC or in the schemes of any other Mutual Funds, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no Investment management fees will be charged for such investments.  <b>Arbitrage Opportunities:</b> The market provides opportunities to derive returns from the implied cost of carry between the underlying cash market and the derivatives market. This provides for opportunities to generate returns that are possibly higher than short term interest rates with minimal active price risk on equities. Implied cost of carry and spreads across the spot and futures markets can potentially lead to profitable arbitrage opportunities.  The arbitrage spread should ideally be equivalent to the ongoing short-term risk free rate of interest. In elevated interest rate environment, arbitrage fund typically offer increasing spreads. Further, arbitrage opportunities are more in a rising market as investors want leveraged exposures and are willing to pay higher premiums. This can widen the spread between spot and future markets.  Index Arbitrage: As the Nifty Index derives its value from the underlying stocks, the underlying stocks can be used to create a synthetic index matching the Nifty Index levels. Also, theoretically, the fair value of a stock/index futures is equal to the spot price plus the cost of carry i.e. the interest rate prevailing for an equivalent credit risk, in this case is the Clearing Corporation of the NSE. Theoretically, therefore, the pricing of Nifty Index futures should be equal to the pricing of the synthetic index created by futures on the underlying stocks. However, due to market imperfections, the index futures may not exactly correspond to the synthetic index futures. The Nifty Index futures normally trades at a discount to the synthetic index due to large volumes of stock hedging being done using the Nifty Index futures giving rise to arbitrage opportunities. The fund manager shall aim to capture such arbitrage opportunities by taking long positions in the Nifty Index futures and short positions in the synthetic index. The	<b>Equities:</b> For the equity portion of the corpus, the AMC intends to invest in stocks, which are bought, typically with a medium to long-term time horizon.  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<b>Investment Strategy (contd.)</b>	strategy is attractive if this price differential (post all costs) is higher than the investor's cost-of-capital.  Cash Futures Arbitrage: The scheme would look for market opportunities between the spot and the futures market. The cash futures arbitrage strategy can be employed when the price of the futures exceeds the price of the underlying stock. The Scheme will first buy the stocks in cash market and then sell in the futures market to lock the spread known as arbitrage return. Buying the stock in cash market and selling the futures results into a hedge where the scheme has locked in a spread and is not affected by the price movement of cash market and futures market. The arbitrage position can be continued till expiry of the future contracts. The future contracts are settled based on the last half an hour's weighted average trade of the cash market. Thus there is a convergence between the cash market and the futures market on expiry. This convergence helps the scheme to generate the arbitrage return locked in earlier. However, the position could even be closed earlier in case the price differential is realised before expiry or better opportunities are available in other stocks.  <b>Risks Associated with this Strategy</b> <ul style="list-style-type: none"><li>Lack of opportunity available in the market</li><li>The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</li><li>Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place.</li></ul> <b>Fixed Income securities</b> 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.  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.  The Scheme may also use fixed income related derivative instruments, like Interest Rate Swaps, Interest Rate Futures, Forward Rate Agreements or other derivative instruments for the purpose of hedging, portfolio balancing and other purposes, as permitted under the Regulations. Hedging using Interest Rate Futures could be perfect or imperfect, subject to applicable regulations. Usage of derivatives may expose the Scheme to certain risks inherent to such derivatives.  It may also invest in securitized debt.  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 with the prior approval of the Board of the AMC/Trustee.	fund manager shall aim to capture such arbitrage opportunities by taking long positions in the Nifty Index futures and short positions in the synthetic index. 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Benefits of using Covered Call strategy in Mutual Funds:</b>  The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the Scheme. This strategy is also employed when the Fund Manager has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously takes a short position via covered call option strategy to generate income from the option premium. The strategy offers the following benefits: <ol style="list-style-type: none"><li>Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.</li><li>Generating additional returns in the form of option premium in a range bound market.</li></ol> Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction.  Illustration – Covered Call strategy using stock call options: Suppose, a fund manager buys equity stock of ABC Ltd. For ₹ 1000 and simultaneously sells a call option on the same stock at a strike price of ₹ 1100. The scheme earns a premium of say, ₹ 50. Here, the fund manager does not think that the stock price will exceed ₹ 1100.  Scenario 1: Stock price exceeds ₹ 1100 The call option will get exercised and the fund manager will sell the stock to settle his obligation on the call at ₹ 1100 (earning a return of 10% on the stock purchase price). Also, the scheme has earned a premium of ₹ 50 which reduced the purchase cost of the stock (₹ 1000 – ₹ 50 = ₹ 950). Net Gain – ₹ 150  Scenario 2: Stock prices stays below ₹ 1100 The call option will not get exercised and will expire worthless. The premium earned on call option will generate alpha for the scheme. Net Gain – ₹ 50.  <b>1.2. Risks for writing covered call options for equity shares</b> <ol style="list-style-type: none"><li>Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced by writing covered call options.</li><li>The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity, or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.</li><li>The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.</li><li>The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options.</li></ol> <b>Fixed Income securities</b> 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.  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.  The Scheme may also use fixed income related derivative instruments, like Interest Rate Swaps, Interest Rate Futures, Forward Rate Agreements or other derivative instruments for the purpose of hedging, portfolio balancing and other purposes, as permitted under the Regulations. Hedging using Interest Rate Futures could be perfect or imperfect, subject to applicable regulations. Usage of derivatives may expose the Scheme to certain risks inherent to such derivatives.  It may also invest in securitized debt.  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 with the prior approval of the Board of the AMC/Trustee.



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	Existing Provisions	Proposed Provisions
<b>Benchmark</b>	Nifty Equity Savings Index	No change
<b>Product labeling and Riskometer</b>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>Long term wealth creation</li> <li>An open ended scheme that seeks to generate regular income through investments in fixed income securities, arbitrage and other derivative strategies and aim for long term capital appreciation by investing in equity and equity related instruments.</li> </ul>  <p>Investors understand that their principal will be at moderately high risk</p> <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them</p>	No change

Since it is proposed to enable the Scheme to write call options, below mentioned provisions shall be inserted in the Scheme Information Document (SID) under, 'Investment restrictions', etc. as applicable.

### 1. INVESTMENT RESTRICTIONS FOR COVERED CALL STRATEGY

Mutual Fund schemes (excluding ETFs and Index funds) can write Call options under a covered strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

- The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.
- The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
- At all points of time the Mutual Fund scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.
- In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities.
- In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.
- The premium received shall be within the requirements prescribed in terms of SEBI circular dated August 18, 2010 i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
- The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph 3 of SEBI Circular no. Cir/IMD/DF/11/2010, dated August 18, 2010.
- The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

#### 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.

Further, it is proposed to enable the Scheme to create segregated portfolio in case of a credit event, below mentioned provisions shall be inserted in the Scheme Information Document (SID) under the paragraphs 'Exposure to Derivatives', 'Scheme specific risk factors', 'Investment restrictions', 'Information about the Scheme', etc. as applicable.

#### Investment Restrictions for investment in REITs and InvITs:

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

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

### 2. 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:

- Downgrade of a debt or money market instrument to 'below investment grade', or
- Subsequent downgrades of the said instruments from 'below investment grade', or
- 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.

Details on creation of segregated portfolio have been made in the Statement of Additional Information (SAI) as under:

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

##### Process for creation of segregated portfolio

- The AMC shall decide on creation of segregated portfolio on the day of credit event, as per the process laid down below:
  - The AMC shall seek approval of Trustees, prior to creation of the segregated portfolio.
  - 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.
  - 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.
- Upon receipt of approval from Trustees:
  - The segregated portfolio shall be effective from the day of credit event
  - 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.
  - An e-mail or SMS should be sent to all unit holders of the concerned scheme.
  - The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
  - 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.
  - 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.
- If the trustees do not approve the proposal to segregate portfolio, the AMC shall issue a press release immediately informing investors of the same.
- 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.
- 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:

- Upon trustees' approval to create a segregated portfolio -
    - 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.
    - Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
  - 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 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.
  - 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.
  - The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
  - 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.
  - 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.
  - 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.
  - 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
- 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.
  - 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.
  - 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.
  - The costs related to segregated portfolio shall in no case be charged to the main portfolio.

#### Risk factors associated with creation of segregated portfolios

- 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.

- 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:		Units	Amount	Portfolio	Value
Investor A	30000	375000	DEBT A	5,00,000	
Investor B	50000	625000	DEBT B	3,00,000	
<b>Total</b>	<b>80000</b>	<b>1000000</b>	<b>Total</b>	<b>10,00,000</b>	

NAV (Full Portfolio): ₹ 12.5

Security DEBT B downgrades and value falls from 3,00,000 to 280,000					
Post Segregation		Units	Amount	Main Portfolio	
Total 2 investors in the Scheme:				DEBT A	5,00,000
Investor A	30000	262500	DEBT C	2,00,000	
Investor B	50000	437500			
<b>Total</b>	<b>80000</b>	<b>700000</b>	<b>Total</b>	<b>7,00,000</b>	

NAV (Main Portfolio): ₹ 8.75

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

NAV (Segregated Portfolio): ₹ 3.5

Total Holding of Investor A		Units	Amount
Total Holding of Investor A		30000	367500
Total Holding of Investor B		50000	612500
<b>Total</b>		<b>80000</b>	<b>980000</b>

#### 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.

#### Provisions related to Change in Fundamental Attributes

Investors may please refer the Statement of Additional Information available on the website of the AMC for the detailed process to be followed while creation of segregated portfolio.

In accordance with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 the existing unitholders (i.e. whose names appear in the register of unitholders as on close of business hours on July 19, 2019) under the Scheme are hereby given an option to exit, i.e. either redeem their investments or switch their investments to any other schemes of ICICI Prudential Mutual Fund, within 31 days (at least 30 days) exit period starting from July 29, 2019 till August 28, 2019 (both days inclusive and upto 3.00 pm on August 28, 2019) at Applicable NAV, without payment of any exit load. The Exit Option can be exercised during the Exit Option Period by submitting a valid redemption/switch request at any Official Point of Acceptance of the Fund. For list of Official Points of Acceptance, please visit our website. A separate written communication is being sent to the existing Unit holders in this regard. In case any existing Unit holder has not received an Exit Option Letter, they are advised to contact any of our Investor Service Centres. Unitholders who do not exercise the exit option by 3.00 pm on August 28, 2019 would be deemed to have consented to the proposed modification. It may also be noted that no action is required in case Unitholders are in agreement with the aforesaid changes, which shall be deemed as consent being given by them for the proposed changes. Kindly note that an offer to exit is merely optional and is not compulsory.

All the valid applications for redemptions/switch received under the Scheme shall be processed at Applicable NAV of the day of receipt of such redemption/switch request, without payment of any exit load, provided the same is received during the exit period mentioned above. Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure a release of their pledges/encumbrances prior to the submission of redemption/switch requests. Unitholders should ensure that their change in address or bank details are updated in records of ICICI Prudential Mutual Fund as required by them, prior to exercising the exit option for redemption of units. Unit holders holding Units in dematerialized form may approach their Depository Participant for such changes. In case units have been frozen/locked pursuant to an order of a government authority or a court, such exit option can be executed only after the freeze/lock order is vacated/revoked within the period specified above. The redemption proceeds shall be dispatched within 10 (ten) business days of receipt of valid redemption request to those unitholders who choose to exercise their exit option. Redemption/switch of units from the scheme, during the exit period, may entail capital gain/loss in the hands of the unitholder. Similarly, in case of NRI investors, TDS shall be deducted in accordance with the applicable Tax laws, upon exercise of exit option and the same would be required to be borne by such investor only. In view of individual nature of tax implications, unitholders are advised to consult their tax advisors.

The updated SID & KIM of the scheme containing the revised provisions shall be made available with our Investor Service Centres and also displayed on the website immediately after completion of duration of exit option.

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 these changes are in line with our best endeavors to serve you better.

All other features and terms and conditions of the Scheme shall remain unchanged.

This Notice-cum-Addendum forms an integral part of the SID/KIM issued for the Scheme, read with the addenda issued from time to time.

**For ICICI Prudential Asset Management Company Limited**

Sd/-

**Authorised Signatory**

Place : Mumbai

Date : July 18, 2019

No. 019/07/2019

To know more, call 1800 222 999/1800 200 6666 or visit www.icicprumf.com	
As part of the Go Green Initiative, investors are encouraged to register/update their e-mail id and mobile number with us to support paper-less communications.	
To increase awareness about Mutual Funds, we regularly conduct Investor Awareness Programs across the country. To know more about it, please visit <a href="https://www.icicprumf.com">https://www.icicprumf.com</a> or visit AMFI's website <a href="https://www.amfindia.com">https://www.amfindia.com</a>	

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