



## ICICI Prudential Asset Management Company Limited

Corporate Identity Number: U99999DL1993PLC054135

**Registered Office:** 12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi - 110 001.

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### Notice-cum-Addendum to the Scheme Information Document (SID) of the schemes of ICICI Prudential Mutual Fund

**NOTICE** is hereby given to all the unit holders/investors that below stated para on Interest rate future (IRF) shall be incorporated in the SID of the schemes, which are eligible to enter into derivative contracts:

IRF means a standardized interest rate derivative contract traded on a recognized stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

The underlying security for IRF could be either Government Securities or Treasury Bills.

Currently, exchange traded Interest Rate Futures traded on exchange are standardized contracts based on 10-Year Government of India Security and 91 day Treasury bill. IRF contracts are cash settled.

IRFs gives an opportunity in the fixed income market to hedge interest rate risk or rebalance the portfolio by using them. By locking into a price, the IRF contract can help to eliminate the interest rate risk. Thus, in order to protect against a fall in the value of the portfolio due to falling bond prices, one can take short position in IRF contracts.

#### Example:

Date: April 01, 2015

Spot price of the Government Security: ₹108.83

Price of IRF - April contract: ₹108.90

On April 01, 2015, Fund buys 1000 units of the Government security from the spot market at ₹108.83. Subsequently, it is anticipated that the interest rate will rise in the near future. Therefore to hedge the exposure in underlying Government security, Fund sells April 2015 Interest Rate Futures contracts at ₹108.90.

On April 15, 2015 due to increase in interest rate:

Spot price of the Government Security: ₹107.24

Futures Price of IRF Contract: ₹107.30

Loss in underlying market will be  $(107.24 - 108.83) \times 1000 = (\text{₹}1,590)$

Profit in the Futures market will be  $(107.30 - 108.90) \times 1000 = \text{₹}1,600$

Please note that the above example is given for illustration purposes only and the actual returns may vary depending on the terms of contract and the market conditions.

**All the other provisions of the SID except as specifically modified herein above remain unchanged.**

**This Notice-cum-Addendum forms an integral part of the SID of the Schemes of ICICI Prudential Mutual Fund, as amended from time to time.**

**For ICICI Prudential Asset Management Company Limited**

Place: Mumbai

Sd/-

Date : April 24, 2015

**Authorised Signatory**

No. 040/04/2015

CALL MTNL/BSNL: 1800 222 999 • Others : 1800 200 6666 • Or, apply online at [www.icicipruamc.com](http://www.icicipruamc.com)

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