Date: April 18, 2018

Dear Investor,

We thank you for your investments in ICICI Prudential Banking & Financial Services 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 change/(s) in type of scheme, asset allocation and investment strategy of the Scheme. As an investor in the scheme, we would like to share with you the change/(s) so that you can take an appropriate and informed decision.

The proposed changes are as follows:

<table>
<tr><th>ICICI Prudential Banking & Financial Services Fund</th><th>Existing Features</th><th>Revised Features</th></tr>
<tr><td>Type of the Scheme</td><td>An Open ended equity Fund</td><td>An open ended equity scheme investing in Banking & Financial Services sector</td></tr>
<tr><td>Asset Allocation</td><td>
<table>
<tr><th>Instruments</th><th>Allocation (%)</th><th>Risk Profile</th></tr>
<tr><td>Equity & equity related securities of companies engaged in Banking and Financial Services Sector # $</td><td>70 – 100%</td><td>High</td></tr>
<tr><td>Debt *$</td><td>0 – 30%</td><td>Low to Medium</td></tr>
</table>
$ Including derivatives instruments to the extent of 75% of the Net Assets
# Including investment in ADR/GDR up to 50% of allocation to Equity & Equity related securities maximum to the extent permitted under SEBI Regulation
* Including 50% in Securitized debt.

Stock lending upto 30% of the Net Asset of the Scheme.

The Fund Manager may change the above referred asset allocation profile by higher allocation to large cap stocks or higher allocation to cash, for a defensive positioning of the portfolio with a view to protect the interest of the unit holders on a temporary basis. 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.
</td><td>
<table>
<tr><th>Instruments</th><th>Allocation (%)</th><th>Risk Profile</th></tr>
<tr><td>Equity & Equity related securities of companies engaged in Banking and Financial Services Sector</td><td>80 – 100</td><td>High</td></tr>
<tr><td>Equity & equity related securities of companies other than those engaged in the Banking and Financial Services Sector</td><td>0-20</td><td>Medium to High</td></tr>
<tr><td>Debt & Money market instruments</td><td>0 – 20</td><td>Low to Medium</td></tr>
</table>
The Scheme may also take exposure to:

• Derivatives instruments up to 100% of the Net Assets.
</td></tr>
</table>

ICICI Prudential Asset Management Company Limited
Corporate Identity Number: U99999DL1993PLC054135
Corporate Office: One BKC 13th Floor, Bandra Kurla Complex, Mumbai - 400051.
Tel: +91 22 2652 5000, Fax: +91 22 2652 8100 , website: www.icicipruamc.com, email id: enquiry@icicipruamc.com
Central Service Office: 2nd Floor, Block B-2, Nirlon Knowledge Park, Western Express Highway, Mumbai - 400063.
Tel: 022 2685 2000 Fax: 022 26868313
Registered Office: 12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110 001

<table>
<tr>
<td></td>
<td></td>
<td>

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.
Securitised Debt up to 50% of the Net Assets or maximum permissible limit for debt portfolio, whichever is lower.
Stock lending up to 30% of its net assets. The Scheme shall also not lend more than 5% of its net assets to any single counter party.

In the event of variance from the asset allocation, the fund manager will carry out portfolio rebalancing within 30 Days. Further, in case the portfolio is not rebalanced within the period of 30 days, justification for the same shall be placed before the investment committee and reasons for the same shall be recorded in writing. The investment committee shall then decide on the course of action.
</td>
</tr>
<tr>
<td>Investment Strategy</td>
<td>
The Scheme aims to maximize long-term capital appreciation by investing in equity and equity related securities of companies engaged in banking services and financial services. Financial services companies listed in the Indian equity markets include companies like Max India, Sundaram Finance,Motilal Oswal, etc. which provide non-banking financial services like stock broking, wealth management, insurance, etc. Most of the banks in India like HDFC Bank, ICICI Bank, State Bank of India, etc. also provide these services in addition to the traditional banking services. The Scheme may invest in such banks and also take exposure in these non-banking financial companies.
Market capitalization of the constituents of S&P BSE Bankex as on February 28, 2017 is given below:
<table>
<tr><td>Name</td><td>Market Capitalization (Rs. in Crs.)</td></tr>
<tr><td>HDFC Bank Ltd</td><td>3,64,772.57</td></tr>
<tr><td>State Bank of India</td><td>2,20,108.58</td></tr>
<tr><td>Kotak Mahindra Bank Ltd</td><td>1,61,632.23</td></tr>
<tr><td>ICICI Bank Ltd</td><td>1,59,990.65</td></tr>
<tr><td>Axis Bank Ltd</td><td>1,17,025.49</td></tr>
<tr><td>IndusInd Bank Ltd</td><td>83,100.99</td></tr>
<tr><td>Yes Bank Ltd</td><td>64,727.05</td></tr>
<tr><td>Bank of Baroda</td><td>38,951.82</td></tr>
</table>
</td>
<td>
Equities
The Scheme aims to maximize long-term capital appreciation by predominantly investing in equity and equity related securities of companies engaged in banking services and financial services. Financial services companies listed in the Indian equity markets provide non-banking financial services like stock broking, wealth management, insurance, etc. Most of the banks in India also provide these services in addition to the traditional banking services.
The companies which are considered as financial services are as follows. However, this is a very fast evolving space so this list may have further additions in the future.

Banks
Non-banking financial companies
Housing Finance Companies
Micro Finance Companies
Broking and securities
Stock exchanges, depositories and related infrastructure providers
Wealth management or various kinds of asset management

</td>
</tr>
</table>

	Punjab National Bank — 30,068.19 Federal Bank Ltd — 15,441.22 A large share of the Scheme asset under management would be invested in the stocks listed above. However, the Scheme would opportunistically invest in companies outside the companies listed above, but which form part of Banking and Financial Services Industry. **Banking & Financial Services Sector Outlook:** The performance of the Banking and Financial Services sector of any nation has a direct correlation to the performance of the nation's economy. The Indian Financial services industry has experienced significant growth in the last few years. There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the Indian regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international financial services participants. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector. **Banking** The upsurge in economic activity in India and an under penetrated market provides huge potential for growth for banks in India. Consumer credit penetration in India is very low. Household gearing in India is low in absolute terms and relative to other economies. Strong economic growth will translate into rising disposable incomes, which will fuel the demand for consumer credit. Given a low base, India has considerable room to grow. Most banks now have significant proportion of their businesses covered under core banking solution. With technology implementation (internet banking), wider distribution network (ATMs) and growing customer base (rural penetration), Indian banks are well poised to move on to the next level of growth. The following factors will drive growth of banks hereon: • Pick-up in credit growth with improvement in economic indicators like IIP • Margins improvement because of re-pricing of liabilities • Rising fee income, operating leverage to boost RoAs • Capital raising by banks to fund further growth Broking Companies: The primary drivers for the level of activity in the secondary markets have been economic growth and growing companies, leading to increased international and domestic investor interest. With improved political scenario and better visibility on economic growth, and favorable demographics, Indian Capital markets are	• Insurance • Currency and Forex • Credit cards and payment gateways or such infrastructure providers • Internet based finance • Rating agencies • Financial data providers like Bloomberg or Reuters • Investment companies The Scheme may also invest in companies other than Banking and Financial Services sector. **Banking & Financial Services Sector Outlook:** The performance of the Banking and Financial Services sector of any nation has a direct correlation to the performance of the nation's economy. The Indian Financial services industry has experienced significant growth in the last few years. There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the Indian regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international financial services participants. Sectors such as banking, asset management, insurance and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector. **Banking** The upsurge in economic activity in India and an under penetrated market provides huge potential for growth for banks in India. Consumer credit penetration in India is very low. Household gearing in India is low in absolute terms and relative to other economies. Strong economic growth will translate into rising disposable incomes, which will fuel the demand for

expected to do well. With flow of foreign funds and domestic funds (through MF and Insurance) into the capital markets, the level of activity in equity markets can be expected to be high leading to increased volumes. One of the beneficiaries of this significant rise in trading volumes will be broking companies. Consequently, the revenues of these broking firms are expected to be buoyant.

Asset Management Companies

Growth in the asset management industry in India has been signified by two main factors, the growth in the retail mutual fund business and the emergence of alternative asset management. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. From 1987 onwards, several other public sector mutual funds entered this sector and participation was finally opened up to the private sector in 1993. The mutual fund industry has experienced considerable growth since the last few years with total assets under management (AUM) increasing from Rs.1,34,285 crores as of March 31, 2004 to Rs.3,24,794 crores as of March 31, 2007 to Rs. 7,00,536 crores as of March 31, 2011 to Rs. 11,88,690.32 crores as on March 31, 2015 and Rs. 12,32,824 crores as on March 31, 2016. The private sector accounts for major market share of the total AUM. Currently, there are no Asset Management Companies in India, which are listed on the stock exchanges but these companies could tap the primary markets at a subsequent date. According to valuation received for stakes sold by some AMCs, the prospects for these businesses looks bright.

Insurance Companies

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999 that opened the Indian insurance sector to foreign and private investors. Since then, various foreign and Indian private sector participants have targeted the market potential by providing a range of customized products. Currently, there are many insurance companies in India operating in both Life Insurance and General Insurance. There are various public sector insurance companies alongwith private companies. There are also foreign insurance companies operating in joint venture.

Like asset management companies, there are no Insurance Companies listed on Indian exchange but these companies are soon expected to tap the primary markets. Investments in these companies at the IPO stage and on an ongoing basis are expected to offer opportunities for capital appreciation.

There has been considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international players. This will get further impetus

consumer credit. Given a low base, India has considerable room to grow. Most banks now have significant proportion of their businesses covered under core banking solution. With technology implementation (internet banking), wider distribution network (ATMs) and growing customer base (rural penetration), Indian banks are well poised to move on to the next level of growth.

Growth of NBFCs and other Financial Services Sectors in India

Non-banking financial companies (NBFCs) are fast emerging as an important segment of Indian financial system. They have broadened and diversified the range of products and services offered by a financial sector. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities.

According to the Reserve Bank of India's (RBI) Financial Stability Report, the non-banking financial companies (NBFC) sector registered a significantly higher credit growth.

Since, Government of India has huge focus on Digital initiatives; we can see more and more payment banks and companies entering the capital markets.

Due to the above factors and possible growth of NBFC sector and other financial services sectors in India, the Scheme may increase the exposure towards these sectors in order to generate capital appreciation for the investors.

Asset Management Companies

Growth in the asset management industry in India has been signified by two main factors, the growth in the retail mutual fund business and the emergence of alternative asset management. From 1963 to 1987, Unit with New Reformist and Strong Central Government in place.

Insurance sector has also seen increase in FDI investment limits to 49%. This has enabled greater interest being shown by foreign insurance companies who are keen to increase their stake in joint ventures.

Strong economic growth, favorable demographics, increased geographic penetration, growth of small and medium enterprises and the increasing needs for capital among Indian corporations are expected to continue to drive India's financial services industry.

Fixed Income securities

The AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. 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 investment 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 will be guided by the ratings of such Rating Agencies as approved by SEBI to carry out the functioning of rating agencies. In case a debt instrument is not rated, such investments shall be made by an internal committee constituted by AMC to approve the investment in un-rated debt securities in terms of the parameters approved by the Board of Trustees and the Board of Asset Management Company.

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.

Trust of India was the only mutual fund operating in the country. From 1987 onwards, several other public sector mutual funds entered this sector and participation was finally opened up to the private sector in 1993. The mutual fund industry has experienced considerable growth since the last few years. The private sector accounts for major market share of the total AUM. Recently, an asset management company was listed on stock exchanges and few others are in the process of listing. This provides an opportunity for the Scheme to consider investment in these companies.

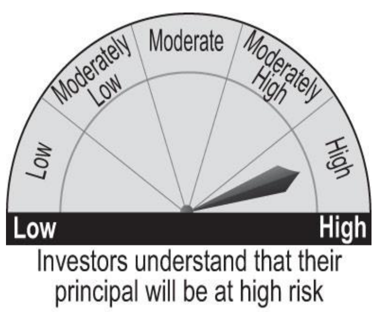
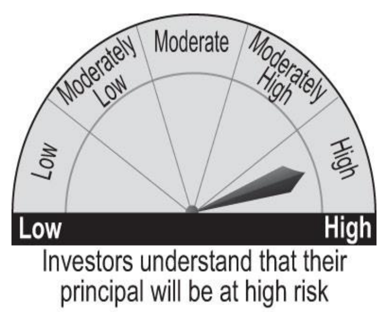
Insurance Companies

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999 that opened the Indian insurance sector to foreign and private investors. Since then, various foreign and Indian private sector participants have targeted the market potential by providing a range of customized products. Currently, there are many insurance companies in India operating in both Life Insurance and General Insurance. There are various public sector insurance companies alongwith private companies. There are also foreign insurance companies operating in joint venture.

As per the current statistics, the insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. In 2017, the Union Cabinet has approved the public listing of five Government-owned general insurance companies and reducing the Government's stake to 75 per cent from 100 per cent. This is expected to bring higher levels of transparency and accountability, and enable the companies to raise resources from the capital market to meet their fund requirements.

		There has been considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international players. Insurance sector has also seen increase in FDI investment limits to 49%. This has enabled greater interest being shown by foreign insurance companies who are keen to increase their stake in joint ventures. Strong economic growth, favorable demographics, increased geographic penetration, growth of small and medium enterprises and the increasing needs for capital among Indian corporations are expected to continue to drive India's financial services industry. **Broking Companies:** The primary drivers for the level of activity in the secondary markets have been economic growth and growing companies, leading to increased international and domestic investor interest. With improved political scenario and better visibility on economic growth, and favorable demographics, Indian Capital markets are expected to do well. With flow of foreign funds and domestic funds (through MF and Insurance) into the capital markets, the level of activity in equity markets can be expected to be high leading to increased volumes. One of the beneficiaries of this significant rise in trading volumes will be broking companies. Consequently, the revenues of these broking firms are expected to be buoyant. The Scheme may also invest a part of its corpus in overseas markets in Global Depository Receipts (GDRs), ADRs,

		overseas equity, bonds and mutual funds and such other instruments as may be allowed under the Regulations from time to time. The Scheme may engage in Stock Lending activities. The Scheme may invest in derivatives such as Futures & Options and such other derivative instruments like Stock/ Index Futures, Interest Rate Swaps, Forward Rate Agreements or such other derivative instruments as may be introduced and permitted by SEBI from time to time. The Scheme may invest in derivative for the purpose of hedging, portfolio balancing and other purposes as may be permitted under the Regulations. Hedging using Interest Rate Futures could be perfect or imperfect, subject to applicable regulations. **Fixed Income securities** 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. 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. 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. 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.
Product labeling and Risk-o-meter	This product is suitable for investors who are seeking*: • long term wealth creation solution • An equity fund that predominantly invests in equity and equity related securities of companies engaged in banking and financial services.  *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	This product is suitable for investors who are seeking*: • long term wealth creation • An open-ended equity scheme that predominantly invests in equity and equity related securities of companies engaged in banking and financial services.  *Investors should consult their financial advisers if in doubt about whether the product is suitable for them

Risk Factors with respect to imperfect hedging using Interest Rate Futures

The scheme may use various derivative instruments and techniques, permitted within SEBI Regulation from time to time. Usage of derivative may expose the scheme to certain risks inherent to such derivatives.

Derivative products are specialized instruments and can provide disproportionate gains as well as disproportionate losses to the investors. Execution of such strategies depends upon the ability of the Fund Manager to identify such opportunities.

ICICI Prudential Asset Management Company Limited
Corporate Identity Number: U99999DL1993PLC054135
Corporate Office: One BKC 13th Floor, Bandra Kurla Complex, Mumbai - 400051.
Tel: +91 22 2652 5000, Fax: +91 22 2652 8100 , website: www.icicipruamc.com, email id: enquiry@icicipruamc.com
Central Service Office: 2nd Floor, Block B-2, Nirlon Knowledge Park, Western Express Highway, Mumbai - 400063.
Tel: 022 2685 2000 Fax: 022 26868313
Registered Office: 12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110 001

Identification and execution of such strategies involves uncertainty and the decision of the Fund Manager may not always be profitable. No assurance can be given that the Fund Manager will be able to identify or execute such strategies. The risk associated with the use of derivatives is different from or possibly greater than the risk associated with investing directly in securities and other traditional investments. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself.

An Interest Rate Futures is an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today. Interest Rate Futures are Exchange traded. These future contracts are cash settled.

1. Perfect Hedging means hedging the underlying using IRF contract of same underlying.
2. Imperfect hedging means the underlying being hedged and the IRF contract has correlation of closing prices of more than 90%.
In case of imperfect hedging, the portfolio can be a mix of:
1) Corporate Bonds and Government securities or
2) Only Corporate debt securities or
3) Only government securities with different maturities

Risk associated with imperfect hedging includes:

Basis Risk: The risk arises when the price movements in derivative instrument used to hedge the underlying assets does not match the price movements of the underlying assets being hedged. Such difference may potentially amplify the gains or losses, thus adding risk to the position.

Price Risk: The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

Risk of mismatch between the instruments: The risk arises if there is a mismatch between the prices movements in derivative instrument used to hedge, compared to the price movement of the underlying assets being hedged. For example when IRF which has government security as underlying is used, to hedge a portfolio that contains corporate debt securities.

Correlation weakening and consequent risk of regulatory breach: SEBI Regulation mandates minimum correlation criterion of 0.9 (calculated on a 90 day basis) between the portfolio being hedged and the derivative instrument used for hedging. In cases where the correlation falls below 0.9, a rebalancing period of 5 working days has been permitted. Inability to satisfy this requirement to restore the correlation level to the stipulated level, within the stipulated period, due to difficulties in rebalancing would lead to a lapse of the exemption in gross exposure computation. The entire derivative exposure would then need to be included in gross exposure, which may result in gross exposure in excess of 100% of net asset value.

Exposure limit for participating in Interest Rate Futures

In addition to the existing provisions of SEBI circular No.IMD/DF/11/2010 dated August 18, 2010, the following are prescribed:

i. To reduce interest rate risk in a debt portfolio, mutual funds may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below:

$$\frac{\text{(Portfolio Modified Duration * Market Value of the Portfolio)}}{\text{(Futures Modified Duration * Future Price/ PAR)}}$$

ii. In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging.

iii. Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, upto maximum of 20% of the net assets of the scheme, subject to the following:

a) Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio.

b) Mutual Funds are permitted to resort to imperfect hedging, without it being considered under the gross exposure limits, if and only if, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is atleast 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Para 3 of SEBI circular dated August 18, 2010. The correlation should be calculated for a period of last 90 days.

Explanation: If the fund manager intends to do imperfect hedging upto 15% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with:
i. The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or
ii. The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 15% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9.

c) At no point of time, the net modified duration of part of the portfolio being hedged should be negative.

d) The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Para 3 of SEBI circular dated August 18, 2010.

iv. The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration.
Explanation: In case of long term bond fund, after hedging the portfolio based on the modified duration of the portfolio, the net modified duration should not be less than the minimum modified duration of the portfolio as required to consider the fund as a long term bond fund.

v. The interest rate hedging of the portfolio should be in the interest of the investors.

Illustration for Imperfect Hedging

Scenario 1 and 2

Assumption: Portfolio whose duration is 3 years, is being hedged with an IRF whose underlying securities duration is 10 years
Portfolio Duration: 3 year
Market Value of Portfolio: Rs 100 cr
Imperfect Hedging cannot exceed 20% of Portfolio

Maximum extent of short position that may be taken in IRFs is as per below mentioned formula:
Portfolio (security) Modified Duration * Market Value of Portfolio (security) / (Futures Modified Duration * Futures Price/PAR)

Consider that we choose to hedge 20% of portfolio
(3 * (0.2 * 100))/(10 * 100/100) = Rs 6 cr

So we must Sell Rs 6 cr of IRF with underlying duration of 10 years to hedge Rs 20 cr of Portfolio with duration of 3 years.

Scenario 1
If the yield curve moves in a way that the 3 year moves up by 10 bps and the 10 year moves up by 5bps, which means that the short end has moved up more than the long end

Amount of Security in Portfolio (LONG): Rs 20cr
If yields move up buy 10 bps then the price of the security with a modified duration of 3 years will move down by;
Formula: (Yield movement * Duration) * Portfolio Value
((0.001 * 3) * 20,00,00,000)= - 6,00,000

Underlying IRF (SHORT): Rs 6crs
If yields move up buy 5bps then the price of the security with a duration of 10 years will move down by;
Formula: (Yield movement * Duration) * Portfolio Value
(-0.0005*10) * 6,00,00,000 = 3,00,000

Since we have sold the IRF, this movement is positive and hence the total loss will be reduced to:
-6,00,000 + 3,00,000= -3,00,000

Due to IRF, the overall impact on the portfolio due to interest rate movement has been reduced.

Scenario 2

If the yield curve moves in a way that the 3 year does not move and the 10 year moves down by 5 bps, which means that the yield curve has flattened.

If yield does not move then the price of the security with a duration of 3 years will remain flat:
Formula: (Yield movement * Duration) * Portfolio Value
(0*3) * 20,00,00,000 = 0

Underlying IRF (SHORT): Rs 6cr

If yields moves down by 5bps then the price of the security with a duration of 10 years will move up by;
(0.0005*10) * 6,00,00,000 = -3,00,000

In this scenario, the imperfect hedge created on the portfolio would create a loss on the total position.

Investors may please refer SID of the Scheme for existing risk factors.

A notice-cum-addendum detailing all the modifications is also available on the AMC's website i.e. www.icicipruamc.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) and pursuant to provisions of SEBI Circular Nos. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 4, 2017.

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 April 18, 2018) under the Schemes 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 April 25, 2018 till May 25, 2018 (both days inclusive and upto 3.00 pm on May 25, 2018) 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. 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 May 25, 2018 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 Schemes 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 Schemes 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 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.

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