IDFC
IDFC MUTUAL FUND

Notice - Cum - Addendum No. 19 of 2018

Addendum to the Scheme Information Document and Key Information Memorandum of IDFC Nifty Fund

Change in features of IDFC Nifty Fund:

NOTICE is hereby given that in accordance with the SEBI circular dated October 6, 2017 pertaining to categorization and rationalization of mutual fund schemes, the features of IDFC Nifty Fund ("the Scheme"), an open-ended equity fund of IDFC Mutual Fund, shall stand modified as follows with effect from **Monday, May 14, 2018** ("Effective Date").

Type / Category

Existing	Proposed
An Open ended Equity scheme	An open ended scheme tracking Nifty 50 Index

Asset Allocation Pattern (Existing)

The Existing Asset Allocation of the Scheme is as follows:

Instruments	Indicative Allocation (% of total assets)	
	Maximum	Minimum
Securities (including derivatives) forming a part of the Nifty 50 Index	100	90
Debt & Money Market instruments	10	0

Investments in Derivatives - upto 50% of the net assets of the scheme.

Gross Exposure to Repo of Corporate Debt Securities - upto 10% of the net assets of the Scheme.

Asset Allocation Pattern (Proposed / Revised)

The proposed asset allocation pattern shall be as follows:

Instruments	Indicative Allocation (% of total assets)
Securities forming a part of the Nifty 50 Index (including stock & index derivatives)	95% - 100%
Debt & Money Market instruments (including Government securities, Securitised debt, Margin money/FD)	0% - 5%

Exposure in Derivatives (other than for hedging purpose) - up to 50% of total assets.
Investment in Securities lending- up to 20% of the total assets with maximum single party exposure restricted to 5% of the total assets.
Gross Exposure to Repo of Corporate Debt Securities - up to 5% of total assets.

The Scheme may engage in short selling of securities in accordance with the applicable guidelines / regulations.

The cumulative gross exposure through equity, derivatives, debt & money market instruments along with repo transactions in corporate debt securities shall not exceed 100% of the net assets of the Scheme.

The investment objective and investment strategy of the Scheme will remain unchanged.

The above changes in the scheme features have been approved by the Board of Directors of the AMC and the Trustee Company.

Risk factors:

The following clause shall be inserted under the heading "Risk factors with investing in Derivatives" in the Section "Risk Factors - Scheme specific risk factors" -

Risk associated with imperfect hedge due to use of IRF: 'Basis Risk' is the risk that arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. This could result into potential gains or losses from the strategy.

Trading in Derivatives

The following paragraph shall be inserted under the heading "Debt derivatives – Interest Rate Futures" in the Section "Information about the Scheme – Trading in Derivatives" -

Imperfect hedging:

Use of IRF may result in imperfect hedging when the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged.

Example of imperfect hedge due to use of IRF:

Date: January 1, 2018
Spot price of 8 year GOI Security: Rs.101.80
Futures price of IRF Contract (underlying is 10 year GOI): Rs.102.00

On January 1, 2018, the Fund Manager bought 2000 GOI securities from spot market at Rs.101.80. The Fund Manager anticipates that the interest rate will rise in near future, therefore to hedge the exposure in underlying security the Fund Manager sells March 2018, Interest Rate Futures contracts at Rs.102.00.

On March 1, 2018 due to increase in interest rate:
Spot price of 8 year GOI Security: Rs.100.80
Futures Price of IRF Contract (underlying is 10 year GOI): Rs.101.10

Loss in underlying market will be (101.80 - 100.80)*2000 = Rs 2000
Profit in the Futures market will be (101.10 – 102.00)*2000 = Rs 1800

Because of imperfect hedging strategy, the profit in futures market is Rs.1800 while the loss in the cash market is Rs.2000, resulting in a net loss of Rs. 200.

The change in asset allocation pattern of the Scheme and use of IRF to imperfectly hedge the portfolio, being a change in the fundamental attributes of the Scheme, in terms of regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996, investors in the Scheme are given an option to exit (redeem / switch-out) at the prevailing Net Asset Value without any exit load, in case they do not wish to continue in this scheme in view of the proposed change in the scheme features. The period of this no load exit offer is valid for a period of 30 days from **Wednesday, April 11, 2018** to **Friday, May 11, 2018** (both days inclusive). The normal redemption / switch request form may be used for this purpose and submitted at any of the IDFC AMC / CAMS ISCs. The no load exit option will be available only to those investments in the Scheme made prior to **Wednesday, April 11, 2018.**

Such exit option will not be available to unitholders who have pledged or encumbered their units in the Scheme and Mutual Fund has been instructed to mark a pledge/lien on such units, unless the release of the pledge/ lien is obtained and appropriately communicated to AMC / Mutual Fund prior to applying for redemption/switch-out.

Unitholders who do not exercise the exit option on or before **Friday, May 11, 2018** would be deemed to have consented to the proposed change. It may be noted that the offer to exit is merely an option and is not compulsory.

All other features, terms and conditions of the Scheme, as stated in the Scheme Information Document (SID) & the Key Information Memorandum (KIM) of the Scheme, read with the addenda issued from time to time, remain unchanged.

The Notice - Cum - Addendum forms an integral part of the SID and KIM of the Scheme, read with the addenda.

Date: April 06, 2018

Size : 16 (w) x 29 (h) cm