

Dear Investor,

We thank you for your investments in ICICI Prudential Midcap Select ETF (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.

ICICI Prudential Midcap Select ETF is an open ended exchange traded fund tracking S&P BSE Midcap Select Index with an investment objective to provide returns before expenses that closely correspond to the total return of the underlying index subject to tracking errors.

We would like to inform you that it is proposed to enable the Scheme to participate in Derivatives. This change in the Scheme features results in change in fundamental attributes of the Scheme. As an investor in the Scheme, we would like to disclose relevant information to you so that you can take an appropriate and informed decision. These changes will be effective from closure of business hours on December 23, 2019 (“Effective Date”). Securities and Exchange Board of India has communicated its no-objection for the changes vide its letter no. IMD/DF3/OW/P/2019/22228/1 dated August 28, 2019.

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

<b>Feature of the Scheme</b>	<b>Existing Provisions</b>	<b>Proposed Provisions</b>																						
<b>Name of the Scheme</b>	ICICI Prudential Midcap Select ETF	No change																						
<b>Type of Scheme</b>	An open ended exchange traded fund tracking S&P BSE Midcap Select Index	No change																						
<b>Investment Objective</b>	The investment objective of the scheme is to provide returns before expenses that closely correspond to the total return of the underlying index subject to tracking errors.  However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.	No change																						
<b>Asset Allocation</b>	<p>Under normal circumstances, the asset allocation under the Scheme will be as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"><b>Instruments</b></th> <th><b>Indicative allocations (% of total assets)</b></th> <th><b>Risk Profile</b></th> </tr> <tr> <th><b>Minimum-Maximum</b></th> <th><b>High/Medium/ Low</b></th> </tr> </thead> <tbody> <tr> <td>Securities of companies constituting the Underlying Index (S&amp;P BSE Midcap Select Index)</td> <td>95-100</td> <td>Medium to High</td> </tr> <tr> <td>Debt and Money Market Instruments with maturity of upto 91 days only.</td> <td>0-5</td> <td>Low to Medium</td> </tr> </tbody> </table> <p>The Cumulative Gross Exposure to Equity and Debt and will not exceed 100% of the Net Assets of the Scheme.</p> <p>The Scheme can take exposure upto 20% of its net assets in stock lending.</p>	<b>Instruments</b>	<b>Indicative allocations (% of total assets)</b>	<b>Risk Profile</b>	<b>Minimum-Maximum</b>	<b>High/Medium/ Low</b>	Securities of companies constituting the Underlying Index (S&P BSE Midcap Select Index)	95-100	Medium to High	Debt and Money Market Instruments with maturity of upto 91 days only.	0-5	Low to Medium	<p>Under normal circumstances, the asset allocation under the Scheme will be as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"><b>Instruments</b></th> <th><b>Indicative allocations (% of total assets)</b></th> <th><b>Risk Profile</b></th> </tr> <tr> <th><b>Minimum-Maximum</b></th> <th><b>High/Medium/ Low</b></th> </tr> </thead> <tbody> <tr> <td>Securities of companies constituting the Underlying Index (S&amp;P BSE Midcap Select Index)\$</td> <td>95-100</td> <td>Medium to High</td> </tr> <tr> <td>Debt and Money Market Instruments with maturity of upto 91 days only.</td> <td>0-5</td> <td>Low to Medium</td> </tr> </tbody> </table> <p>The Scheme can take exposure up to 20% of its net assets in stock lending.</p> <p>\$ Including derivatives instruments to the extent of 5% of the Net Assets. Investment in derivatives shall be made in accordance with the SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010 and such other guidelines on derivatives as issued by SEBI from time to time.</p>	<b>Instruments</b>	<b>Indicative allocations (% of total assets)</b>	<b>Risk Profile</b>	<b>Minimum-Maximum</b>	<b>High/Medium/ Low</b>	Securities of companies constituting the Underlying Index (S&P BSE Midcap Select Index)\$	95-100	Medium to High	Debt and Money Market Instruments with maturity of upto 91 days only.	0-5	Low to Medium
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Feature of the Scheme	Existing Provisions	Proposed Provisions
	<p>In case of any variation of the portfolio from the above asset allocation, the portfolio shall be rebalanced within 2 Business Days to ensure adherence to the above norms. In the event of involuntary corporate action, the fund shall dispose the security not forming part of the Underlying index within 7 business days from the date of allotment/ listing.</p> <p>The Scheme does not intend to undertake/ invest/ engage in:</p> <ul style="list-style-type: none"> <li>• Repos in corporate debt securities</li> <li>• Short selling of securities</li> <li>• Unrated instruments (except TREPS/ Government Securities/ T- Bills / Repo and Reverse Repo in Government Securities).</li> <li>• Foreign securities/ ADR/GDR</li> <li>• Derivatives</li> <li>• Securitised debts</li> </ul>	<p>The Cumulative Gross Exposure to Equity and Debt and will not exceed 100% of the Net Assets of the Scheme.</p> <p>In case of any variation of the portfolio from the above asset allocation, the portfolio shall be rebalanced within 2 Business Days to ensure adherence to the above norms. In the event of involuntary corporate action, the fund shall dispose the security not forming part of the Underlying index within 7 business days from the date of allotment/ listing.</p> <p>The Scheme does not intend to undertake/ invest/ engage in:</p> <ul style="list-style-type: none"> <li>• Repos in corporate debt securities</li> <li>• Short selling of securities</li> <li>• Unrated instruments (except TREPS/ Government Securities/ T- Bills / Repo and Reverse Repo in Government Securities).</li> <li>• Foreign securities/ ADR/GDR</li> <li>• Securitised debts</li> </ul>
<p><b>Where will the Scheme invest</b></p>	<p>The Scheme invests in the securities included in the Underlying Index regardless of their investment merit.</p> <p>Subject to the Regulations and the disclosures as made under the Section “How the Scheme will allocate its Assets”, the corpus of the Scheme can be invested in any (but not exclusive) of the following securities/ instruments:</p> <ol style="list-style-type: none"> <li>1) Equity and equity related securities including warrants carrying the right to obtain equity shares.</li> <li>2) Securities created and issued by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)</li> <li>3) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)</li> <li>4) Debt securities issued by domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee</li> <li>5) Corporate debt securities (of both public and private sector undertakings)</li> </ol>	<p>The Scheme invests in the securities included in the Underlying Index regardless of their investment merit.</p> <p>Subject to the Regulations and the disclosures as made under the Section “How the Scheme will allocate its Assets”, the corpus of the Scheme can be invested in any (but not exclusive) of the following securities/ instruments:</p> <ol style="list-style-type: none"> <li>1) Equity and equity related securities including warrants carrying the right to obtain equity shares.</li> <li>2) Securities created and issued by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)</li> <li>3) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)</li> <li>4) Debt securities issued by domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee</li> <li>5) Corporate debt securities (of both public and private sector undertakings)</li> </ol>

Feature of the Scheme	Existing Provisions	Proposed Provisions
	<p>6) Securities issued by banks (both public and private sector) as permitted by SEBI from time to time and development financial institutions</p> <p>7) Money market instruments permitted by SEBI, having maturities of up to 91 days, or in alternative investment for the call money market.</p> <p>8) The non-convertible part of convertible securities</p> <p>Subject to the Regulations, the securities mentioned above could be listed, privately placed, secured, unsecured, rated or unrated and of varying maturity. The securities may be acquired through Public Offerings, secondary market operations, private placement, rights offers or negotiated deals. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.</p>	<p>6) Securities issued by banks (both public and private sector) as permitted by SEBI from time to time and development financial institutions</p> <p>7) Money market instruments permitted by SEBI, having maturities of up to 91 days, or in alternative investment for the call money market.</p> <p>8) The non-convertible part of convertible securities</p> <p>9) Derivative instruments like Stock / Index Futures, Stock / Index Options and such other derivative instruments permitted by SEBI.</p> <p>Subject to the Regulations, the securities mentioned above could be listed, privately placed, secured, unsecured, rated or unrated and of varying maturity. The securities may be acquired through Public Offerings, secondary market operations, private placement, rights offers or negotiated deals. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.</p>
<p><b>Investment Strategy</b></p>	<p>The corpus of the Scheme will be invested predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavor to track the benchmark index. A very small portion (0-5% of the Net Assets) of the fund may be kept liquid to meet the liquidity and expense requirements.</p> <p>The performance of the Scheme may not be commensurate with the performance of the underlying index on any given day or over any given period. Such variations are commonly referred to as the tracking error. The fund intends to maintain a low tracking error by closely aligning the portfolio in line with the index. The stocks comprising the underlying index are periodically reviewed by Index Service provider. A particular stock may be dropped or new securities may be included as a constituent of the index. In such an event, the Fund will endeavor to reallocate its portfolio but the available investment/ disinvestment opportunities may not permit precise mirroring of the underlying index immediately. Similarly, in the event of a constituent stock being demerged / merged / delisted from the exchange or due to a major corporate action in a constituent stock, the fund may have to reallocate the portfolio and seek to minimize the variation from the index.</p>	<p>The corpus of the Scheme will be invested predominantly in stocks constituting the underlying index in the same proportion as in the Index and endeavor to track the benchmark index. A very small portion (0-5% of the Net Assets) of the fund may be kept liquid to meet the liquidity and expense requirements.</p> <p>The performance of the Scheme may not be commensurate with the performance of the underlying index on any given day or over any given period. Such variations are commonly referred to as the tracking error. The fund intends to maintain a low tracking error by closely aligning the portfolio in line with the index. The stocks comprising the underlying index are periodically reviewed by Index Service provider. A particular stock may be dropped or new securities may be included as a constituent of the index. In such an event, the Fund will endeavor to reallocate its portfolio but the available investment/ disinvestment opportunities may not permit precise mirroring of the underlying index immediately. Similarly, in the event of a constituent stock being demerged / merged / delisted from the exchange or due to a major corporate action in a constituent stock, the fund may have to reallocate the portfolio and seek to minimize the variation from the index.</p>

Feature of the Scheme	Existing Provisions	Proposed Provisions
	<p><b>Equities and equity related instruments:</b></p> <p>The Scheme would invest in stocks comprising the underlying index and endeavor to track the benchmark index.</p> <p><b>Fixed Income Securities:</b></p> <p>The Scheme may also invest in debt and money market instruments, in compliance with Regulations to meet liquidity requirements. The scheme may also invest in liquid schemes of ICICI Prudential Mutual Fund or other schemes which has objective to invest in debt and money market instruments. Money Market Instruments include commercial papers, commercial bills, treasury bills, and Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, TREPS and any other like instruments as specified by the Reserve Bank of India from time to time.</p> <p><b>Implementation of Policies:</b></p> <p>The Scheme, in general, will hold all of the securities that comprise the Underlying Index in the same proportion as the index. Expectation is that, over time, the tracking error of the Scheme relative to the performance of the Underlying Index will be relatively low.</p> <p>The Investment Manager would monitor the tracking error of the Scheme on an ongoing basis and would seek to minimize tracking error to the maximum extent possible. There can be no assurance or guarantee that the Scheme will achieve any particular level of tracking error relative to performance of the Underlying Index.</p> <p><b>Investment Process:</b></p> <p>The Scheme will track the Underlying Index and is a passively managed scheme. The investment Decisions will be determined as per the Underlying Index. In case of any change in the index due to corporate actions or change in the constituents of the Underlying Index (as communicated by the Index Service Provider), relevant investment decisions will be determined considering the composition of the Underlying Index.</p>	<p><b>Equities and equity related instruments:</b></p> <p>The Scheme would invest in stocks comprising the underlying index and endeavor to track the benchmark index.</p> <p><b>Investment in Derivatives:</b></p> <p>The Scheme may take an exposure to equity derivatives of constituents of the underlying Basket when securities of the Basket are unavailable, insufficient or for rebalancing at the time of change in Basket or in case of corporate actions, for a short period of time. The Scheme may use derivative instruments such as stock futures and options contracts, warrants, convertible securities, swap agreements or any other derivative instruments that are permissible or may be permissible in future under applicable regulations and such investments shall be in accordance with the investment objective of the Scheme.</p> <p><b>Fixed Income Securities:</b></p> <p>The Scheme may also invest in debt and money market instruments, in compliance with Regulations to meet liquidity requirements. The scheme may also invest in liquid schemes of ICICI Prudential Mutual Fund or other schemes which has objective to invest in debt and money market instruments. Money Market Instruments include commercial papers, commercial bills, treasury bills, and Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, TREPS and any other like instruments as specified by the Reserve Bank of India from time to time.</p> <p><b>Implementation of Policies:</b></p> <p>The Scheme, in general, will hold all of the securities that comprise the Underlying Index in the same proportion as the index. Expectation is that, over time, the tracking error of the Scheme relative to the performance of the Underlying Index will be relatively low.</p>

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		<p>The Investment Manager would monitor the tracking error of the Scheme on an ongoing basis and would seek to minimize tracking error to the maximum extent possible. There can be no assurance or guarantee that the Scheme will achieve any particular level of tracking error relative to performance of the Underlying Index.</p> <p><b>Investment Process:</b></p> <p>The Scheme will track the Underlying Index and is a passively managed scheme. The investment Decisions will be determined as per the Underlying Index. In case of any change in the index due to corporate actions or change in the constituents of the Underlying Index (as communicated by the Index Service Provider), relevant investment decisions will be determined considering the composition of the Underlying Index.</p> <p><b>Exposure to Derivatives:</b></p> <p>The Scheme intends to use derivatives for purposes that may be permitted by the Regulations from time to time. Derivatives instruments may take the form of Futures, Options, Swaps or any other instrument, as may be permitted from time to time.</p> <p><b>Position limits for investment in Derivative instruments:</b></p> <p>SEBI has vide its Circular DNPD/Cir-29/2005 dated September 14, 2005 and DNPD/Cir-29/2005 dated January 20, 2006 and CIR/IMD/DF/11/2010 dated August 18, 2010 specified the guidelines pertaining to trading by Mutual Fund in Exchange trades derivatives. All Derivative positions taken in the portfolio would be guided by the following principles:</p> <ul style="list-style-type: none"> <li>• <i>Position limit for the Fund in index options contracts</i> <ul style="list-style-type: none"> <li>➤ The Fund position limit in all index options contracts on a particular underlying index shall be ₹ 500 crore or 15% of the total open interest of the market in index options, whichever is higher per Stock Exchange.</li> <li>➤ This limit would be applicable on open positions in all options contracts on a particular underlying index.</li> </ul> </li> </ul>

Feature of the Scheme	Existing Provisions	Proposed Provisions
		<ul style="list-style-type: none"> <li>• <i>Position limit for the Fund in index futures contract</i> <ul style="list-style-type: none"> <li>➤ The Fund position limit in all index futures contracts on a particular underlying index shall be ₹ 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.</li> <li>➤ This limit would be applicable on open positions in all futures contracts on a particular underlying index.</li> </ul> </li> <li>• <i>Additional position limit for hedging</i> <p>In addition to the position limits mentioned above, Fund may take exposure in equity index derivatives subject to the following limits:</p> <ul style="list-style-type: none"> <li>➤ Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Fund's holding of stocks.</li> <li>➤ Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Fund's holding of cash, government securities, T-Bills and similar instruments.</li> </ul> </li> <li>• <i>Position limit for the Fund for stock based derivative contracts</i> <p>The Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts, :-</p> <ol style="list-style-type: none"> <li>a. The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL).</li> <li>b. The MWPL and client level position limits however would remain the same as prescribed</li> </ol> </li> <li>• <i>Position limit for the Scheme</i> <ul style="list-style-type: none"> <li>➤ The position limits for the Scheme and disclosure requirements are as follow. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Fund shall not exceed the higher of: <ul style="list-style-type: none"> <li>1% of the free float market capitalisation (in terms of number of shares).</li> </ul> </li> </ul> </li> </ul>

Feature of the Scheme	Existing Provisions	Proposed Provisions
		<p style="text-align: center;">Or</p> <p>5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).</p> <ul style="list-style-type: none"> <li>➤ This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.</li> <li>➤ For index based contracts, the Fund shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.”</li> </ul> <p><b>Various Derivatives Strategies:</b></p> <p>If and where Derivative strategies are used under the Scheme, the Fund Manager will employ a combination of the following strategies:</p> <p><b>1. Index Arbitrage:</b></p> <p>As the Index derives its value from the underlying stocks, the underlying stocks can be used to create a synthetic index matching the 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/BSE.</p> <p>Theoretically, therefore, the pricing of 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.</p> <p>The Index futures normally trades at a discount to the synthetic Index due to large volumes of stock hedging being done using the Index futures giving rise to arbitrage opportunities.</p> <p>The fund manager shall aim to capture such arbitrage opportunities by taking long positions in the Index futures and short positions in the synthetic index. The strategy is attractive if this price differential (post all costs) is higher than the investor’s cost-of-capital.</p>

Feature of the Scheme	Existing Provisions	Proposed Provisions
		<p><u>Objective of the Strategy</u></p> <p>The objective of the strategy is to lock-in the arbitrage gains.</p> <p><u>Risks Associated with this Strategy</u></p> <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> <p>2. Cash Futures Arbitrage: (Only one way as the schemes are not allowed to short in the cash market).</p> <p>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.</p> <p>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.</p> <p>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 realized before expiry or better opportunities are available in other stocks. The strategy is attractive if this price differential (post all costs) is higher than the investor's cost-of-capital.</p> <p><u>Objective of the Strategy</u></p> <p>The objective of the strategy is to lock-in the arbitrage gains.</p> <p><u>Risk Associated with this Strategy</u></p> <ul style="list-style-type: none"> <li>• Lack of opportunity available in the market.</li> </ul>

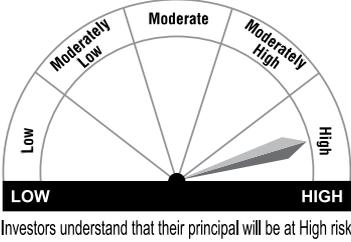
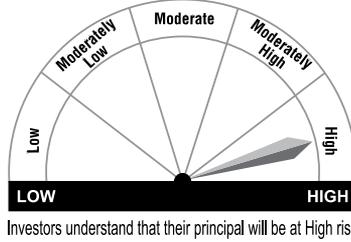
Feature of the Scheme	Existing Provisions	Proposed Provisions
		<ul style="list-style-type: none"> <li>• The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</li> <li>• Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place</li> </ul> <p><b>3. Hedging and alpha strategy:</b> The Scheme will use exchange-traded derivatives to hedge the equity portfolio. The hedging could be either partial or complete depending upon the fund managers' perception of the markets. The fund manager shall either use index futures and options or stock futures and options to hedge the stocks in the portfolio. The Scheme will seek to generate alpha by superior stock selection and removing market risks by selling appropriate index. For example, one can seek to generate positive alpha by buying an IT stock and selling Nifty IT Index future or a bank stock and selling Bank Index futures or buying a stock and selling the Nifty Index.</p> <p><u>Objective of the Strategy</u></p> <p>The objective of the strategy is to generate alpha by superior stock selection and removing market risks by hedging with appropriate index.</p> <p><u>Risk Associated with this Strategy</u></p> <ol style="list-style-type: none"> <li>1. The stock selection under this strategy may under-perform the market and generate a negative alpha.</li> <li>2. The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</li> <li>3. Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place.</li> <li>4. <b>Other Derivative Strategies:</b> As allowed under the SEBI guidelines on derivatives, the fund manager will employ various other stock and index derivative strategies by buying or selling stock/index futures and/or options.</li> </ol> <p><u>Objective of the Strategy</u></p> <p>The objective of the strategy is to earn low volatility consistent returns.</p> <p><u>Risk Associated with this Strategy</u></p> <ul style="list-style-type: none"> <li>• The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices</li> </ul>

Feature of the Scheme	Existing Provisions	Proposed Provisions
		<ul style="list-style-type: none"> <li>• Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place.</li> </ul> <p><b>Illustrations of some derivative transactions</b></p> <p><b>i) Index Futures:</b></p> <p><b>Benefits</b></p> <p>a) Investment in Stock Index Futures can give exposure to the index without directly buying the individual stocks. Appreciation in Index stocks can be effectively captured through investment in Stock Index Futures.</p> <p>b) The Scheme can sell futures to hedge against market movements effectively without actually selling the stocks it holds.</p> <p>The Stock Index futures are instruments designed to give exposure to the equity market indices. BSE Limited and National Stock Exchange of India Limited have started trading in index futures of 1, 2 and 3-month maturities. The pricing of an index future is the function of the underlying index and interest rates.</p> <p><b>Illustration</b></p> <p>Spot Index: 1070</p> <p>1 month Nifty Future Price on day 1: 1075</p> <p>Fund buys 100 lots</p> <p>Each lot has a nominal value equivalent to 200 units of the underlying index</p> <p>Let us say that on the date of settlement, the future price = Closing spot price = 1085</p> <p>Profits for the Scheme = <math>(1085-1075) * 100 \text{ lots} * 200 = ₹ 200,000</math></p> <p>Please note that the above example is given for illustration purposes only.</p> <p>The net impact for the Scheme will be in terms of the difference between the closing price of the index and cost price (ignoring margins for the sake of simplicity). Thus, it is clear from the example that the profit or loss for the Fund will be the difference of the closing price (which can be higher or lower than the purchase price) and the purchase price. The risks associated with index futures are similar to the one with equity investments. Additional risks could be on account of illiquidity and hence mispricing of the future at the time of purchase.</p>

Feature of the Scheme	Existing Provisions	Proposed Provisions
		<p><b>ii) Buying Options:</b></p> <p>Benefits of buying a call option:</p> <p>Buying a call option on a stock or index gives the owner the right, but not the obligation, to buy the underlying stock / index at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.</p> <p><b>Illustration</b></p> <p>For example, if the scheme buys a one month call option on ABC Limited at a strike of ₹ 150, the current market price being say ₹ 151. The scheme will have to pay a premium of say ₹ 15 to buy this call. If the stock price goes below ₹ 150 during the tenure of the call, the scheme avoids the loss it would have incurred had it straightaway bought the stock instead of the call option. The scheme gives up the premium of ₹ 15 that has to be paid in order to protect the scheme from this probable downside. If the stock goes above ₹ 150, it can exercise its right and own ABC Limited at a cost price of ₹ 150, thereby participating in the upside of the stock.</p> <p><b>Benefits of buying a put option</b></p> <p>Buying a put option on a stock originally held by the buyer gives him/her the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.</p> <p><b>Illustration</b></p> <p>For example, if the scheme owns ABC Limited and also buys a three month put option on ABC Limited at a strike of ₹ 150, the current market price being say ₹ 151. The scheme will have to pay a premium of say ₹ 12 to buy this put. If the stock price goes below ₹ 150 during the tenure of the put, the scheme can still exercise the put and sell the stock at ₹ 150, avoiding therefore any downside on the stock below ₹ 150. The scheme gives up the fixed premium of ₹ 12 that has to be paid in order to protect the scheme from this probable downside. If the stock goes above ₹ 150, say to ₹ 170, it will not exercise its option. The scheme will participate in the upside of the stock, since it can now sell the stock at the prevailing market price of ₹ 170.</p> <p>The Scheme will not have any exposure to Debt Derivatives.</p>

Feature of the Scheme	Existing Provisions	Proposed Provisions
<p><b>Risk factors associated with Derivatives</b></p>	<p>The Scheme will not invest in derivatives.</p>	<ul style="list-style-type: none"> <li>• The Scheme may use various derivative products as permitted by the Regulations. Use of derivatives requires an understanding of not only the underlying instrument but also of the derivative itself. Other risks include the risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</li> <li>• The Scheme may use derivatives instruments like Stock Index Futures or other derivative instruments for the purpose of hedging and portfolio balancing, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Schemes to certain risks inherent to such derivatives.</li> <li>• Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of 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.</li> <li>• Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. Also, the market for derivative instruments is nascent in India.</li> <li>• The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments.</li> <li>• The specific risk factors arising out of a derivative strategy used by the Fund Manager may be as below: <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> </li> </ul> <p>The Scheme will not have any exposure to Debt Derivatives.</p>

Feature of the Scheme	Existing Provisions	Proposed Provisions
<b>Investment Restrictions</b>	<p style="text-align: center;">-</p>	<p>The Scheme will comply with the provisions specified in Circular dated August 18, 2010 related to overall exposure limits applicable for derivative transactions as stated below:</p> <ol style="list-style-type: none"> <li>1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.</li> <li>2. Mutual Funds shall not write options or purchase instruments with embedded written options.</li> <li>3. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.</li> <li>4. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.</li> <li>5. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following               <ol style="list-style-type: none"> <li>a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.</li> <li>b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.</li> <li>c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.</li> <li>d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.</li> </ol> </li> <li>6. Mutual Funds may enter into interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.</li> <li>7. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 1.</li> </ol>

Feature of the Scheme	Existing Provisions	Proposed Provisions								
		<p>8. Definition of Exposure in case of Derivative Positions - Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:</p> <table border="1" data-bbox="938 532 1471 709"> <thead> <tr> <th data-bbox="944 532 1129 556">Position</th> <th data-bbox="1136 532 1465 556">Exposure</th> </tr> </thead> <tbody> <tr> <td data-bbox="944 556 1129 606">Long Future</td> <td data-bbox="1136 556 1465 606">Futures Price * Lot Size * Number of Contracts</td> </tr> <tr> <td data-bbox="944 606 1129 657">Short Future</td> <td data-bbox="1136 606 1465 657">Futures Price * Lot Size * Number of Contracts</td> </tr> <tr> <td data-bbox="944 657 1129 709">Option bought</td> <td data-bbox="1136 657 1465 709">Option Premium Paid * Lot Size * Number of Contracts</td> </tr> </tbody> </table>	Position	Exposure	Long Future	Futures Price * Lot Size * Number of Contracts	Short Future	Futures Price * Lot Size * Number of Contracts	Option bought	Option Premium Paid * Lot Size * Number of Contracts
Position	Exposure									
Long Future	Futures Price * Lot Size * Number of Contracts									
Short Future	Futures Price * Lot Size * Number of Contracts									
Option bought	Option Premium Paid * Lot Size * Number of Contracts									
<p><b>Product labeling and Riskometer</b></p>	<ul style="list-style-type: none"> <li>Long term wealth creation solution</li> <li>An Exchange Traded Fund that seeks to provide returns that closely correspond to the returns provided by S&amp;P BSE Midcap Select Index, subject to tracking errors</li> </ul> 	<ul style="list-style-type: none"> <li>Long term wealth creation</li> <li>An Exchange Traded Fund that seeks to provide returns that closely correspond to the returns provided by S&amp;P BSE Midcap Select Index, subject to tracking errors</li> </ul> 								
<p><b>Expenses pertaining to derivative transactions</b></p>	<p>Further, the brokerage and transaction cost incurred for the purpose of execution of trade may be capitalized to the extent of 12 bps for cash market transactions. Any payment towards brokerage and transaction cost, over and above the said 12 bps for cash market transactions may be charged to the Scheme within the maximum limit of Total Expense Ratio as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Goods and Services tax on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under regulation 52 of the Regulations.</p>	<p>Further, the brokerage and transaction cost incurred for the purpose of execution of trade may be capitalized to the extent of 12bps and 5bps for cash market transactions and derivatives transactions respectively. Any payment towards brokerage and transaction cost, over and above the said 12 bps and 5bps for cash market transactions and derivatives transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Goods and Services Tax on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under regulation 52 of the Regulations.</p>								

**Provisions related to Change in Fundamental Attributes**

A notice-cum-addendum detailing all the modifications is also available on the AMC's website i.e. [www.icicpruamc.com](http://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 November 21, 2019 and



December 23, 2019 (both days inclusive) & upto 3.00 pm on December 23, 2019 at applicable NAV without any exit load, if any.

The Exit Option can be exercised during the Exit Option Period by submitting a valid redemption/sell request:

**Directly with the Mutual Fund:** Authorised Participant(s)/Investor(s) can redeem the units of the Scheme directly with the Mutual Fund only in creation unit size and in multiples thereof. The redemption of units would be based on the portfolio deposit & cash component as defined by the fund for that respective business day.

**Through Stock Exchanges:** Currently, the Scheme is listed on National Stock Exchange of India Limited (NSE) and BSE Limited. Buying or selling of units of the Scheme by investors can be done on all the Trading Days of the stock exchanges. The minimum number of units that can be bought or sold is 1 (one) unit.

Unitholders who do not exercise the exit option by 3.00 pm on December 23, 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.

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 : November 15, 2019

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

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