ICICI PRUDENTIAL ASSET MANAGEMENT

Dear Investor,

We thank you for your investments in ICICI Prudential Dividend Yield Equity 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 a change in fundamental attributes of the Scheme. As an investor in the Scheme, we would like to share with you the changes so that you can take an appropriate and informed decision. These changes will be effective from closure of business hours on December 26, 2019 (“Effective Date”).

Securities and Exchange Board of India has communicated its no-objection for the changes vide its letter no. MD/DF3/OW/P/2019/22227/1 dated August 28, 2019.

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

<table>
<tr><th>Feature of the Scheme</th><th>Existing Provisions</th><th>Proposed Provisions</th></tr>
<tr><td>Name of the Scheme</td><td>ICICI Prudential Dividend Yield Equity Fund</td><td>No Change</td></tr>
<tr><td>Type of Scheme</td><td>An open ended equity scheme predominantly investing in dividend yielding stocks</td><td>No Change</td></tr>
<tr><td>Investment Objective</td><td>The investment objective of ICICI Prudential Dividend Yield Equity Fund is to provide medium to long term capital gains and/or dividend distribution by predominantly investing in a well-diversified portfolio of equity and equity related instruments of dividend yielding companies.

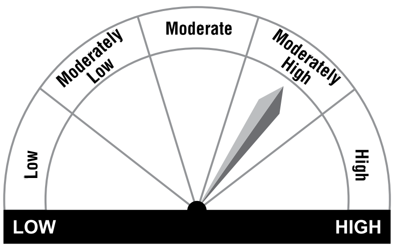
However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.</td><td>No Change</td></tr>
<tr><td>Asset Allocation Pattern</td><td>Under normal circumstances, the asset allocation under the Scheme will be as follows:
<table>
<tr><th>Instruments</th><th>Indicative allocations (% of total assets)</th><th>Risk Profile</th></tr>
<tr><td>Equity & Equity related securities of dividend yielding companies</td><td>65-100%</td><td>Medium to High</td></tr>
<tr><td>Equity & Equity related securities of other than dividend yielding companies</td><td>0-35%</td><td>Medium to High</td></tr>
<tr><td>Debt & Money market instruments</td><td>0-35%</td><td>Low to Medium</td></tr>
</table>
The Scheme may also take exposure to:

Derivatives instruments up to 100% of the Net Assets.
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 20% of its net assets.
</td><td>Under normal circumstances, the asset allocation under the Scheme will be as follows:
<table>
<tr><th>Instruments</th><th>Indicative allocation (% of corpus)</th><th>Risk Profile</th></tr>
<tr><td>Equity & Equity related securities of dividend yielding companies</td><td>65-100%</td><td>Medium to High</td></tr>
<tr><td>Other Equity & Equity related securities</td><td>0-35%</td><td>Medium to High</td></tr>
<tr><td>Debt & Money market instruments</td><td>0-35%</td><td>Low to Medium</td></tr>
<tr><td>Units issued by REITS and INVITs, 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>
</table>
The Scheme may also take exposure to:

Derivatives instruments up to 80% of the Net Assets.
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.
</td></tr>
</table>

Feature of the Scheme	Existing Provisions	Proposed Provisions
	The Scheme will not deal in repo in corporate bonds. In the event of variance in 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. Though every endeavor will be made to achieve the objectives of the Scheme, the AMC/ Sponsors/Trustees do not guarantee that the investment objectives of the Scheme will be achieved. The Cumulative Gross Exposure to Equity, Debt and Derivatives Positions will not exceed 100% of the Net Assets of the Scheme.	• Securitised Debt up to 50% of the Net Assets or maximum permissible limit for debt portfolio, whichever is lower. • Stock lending up to 20% of its net assets. The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. Such investment shall be made subject to the guidelines which may be prescribed. In the event of variance in 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. Though every endeavor will be made to achieve the objectives of the Scheme, the AMC/ Sponsors/Trustees do not guarantee that the investment objectives of the Scheme will be achieved. The Cumulative Gross Exposure to Equity, Debt and Derivatives Positions, REITs and InvITs will not exceed 100% of the Net Assets of the Scheme.
Investment Strategy	The Scheme would invest predominantly in dividend yielding companies, as identified at the time of making the investment. While the criterion of dividend-yield would be used to identify the investment universe from which the portfolio will be constructed, within this universe, there will be a strong focus on selecting companies on following parameters: 1. Business Fundamentals 2. Quality of Management 3. Industry Trends 4. Growth Prospects 5. Track Record and Consistency of Dividend Payments 6. Volatility of the stock The overall portfolio structuring would aim at controlling risk at a moderate level. Stock picking on the basis of dividend yield aims to avail the triple benefits of dividend income, downside risk management and potential for capital appreciation. Investment in stocks with high dividend yields is traditionally a “Defensive Investment Strategy.” High dividend yield stocks are more likely to provide greater degree of protection to investors than other stocks in falling equity market. On the other hand, these stocks show good possibilities of capital appreciation in reviving market.	The Scheme would invest predominantly in dividend yielding companies, as identified at the time of making the investment. While the criterion of dividend-yield would be used to identify the investment universe from which the portfolio will be constructed, within this universe, there will be a strong focus on selecting companies on following parameters: 1. Business Fundamentals 2. Quality of Management 3. Industry Trends 4. Growth Prospects 5. Track Record and Consistency of Dividend Payments 6. Volatility of the stock The overall portfolio structuring would aim at controlling risk at a moderate level. Stock picking on the basis of dividend yield aims to avail the triple benefits of dividend income, downside risk management and potential for capital appreciation. Investment in stocks with dividend yields is traditionally a “Defensive Investment Strategy.” Dividend yielding stocks are more likely to provide greater degree of protection to investors than other stocks in falling equity market. On the other hand, these stocks show good possibilities of capital appreciation in reviving market.

Feature of the Scheme	Existing Provisions	Proposed Provisions
	As high dividend payouts in general imply that there is enough cash generation by the business, it may also indicate that the stock is under-priced in spite of high cash generating ability. An investment in these stocks in bearish market could unlock significant value as and when the markets pick up. Thus, the investment strategy of the Scheme would focus on identifying and investing in a basket of dividend yield companies, which are expected to declare dividends on a consistent basis and also provide an opportunity for capital appreciation. The Scheme may also invest a part of its corpus in overseas markets in Global Depository Receipts (GDRs), American Depository Receipts, 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.	As dividend payouts in general imply that there is enough cash generation by the business, it may also indicate that the stock is under-priced in spite of high cash generating ability. An investment in these stocks in bearish market could unlock significant value as and when the markets pick up. The Scheme may also consider investing in companies that generate total shareholder rewards in the form of dividend and/or buyback. Thus, the investment strategy of the Scheme would focus on identifying and investing in a basket of dividend yield companies. The Scheme may also invest a part of its corpus in overseas markets in Global Depository Receipts (GDRs), American Depository Receipts, 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.

Feature of the Scheme	Existing Provisions	Proposed Provisions
	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.	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. The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. Such investment shall be made subject to the guidelines which may be prescribed. 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.
Benchmark	Nifty Dividend Opportunities 50 TRI	No Change
Product Labeling	This product is suitable for investors who are seeking*: • Long term wealth creation • An open ended equity scheme that aims for growth by primarily investing in equity and equity related instruments of dividend yielding companies.  Investors understand that their principal will be at Moderately High risk *Investors should consult their financial advisors if in doubt whether the product is suitable for them	No Change

Investors are requested to note that following provisions shall stand inserted in the Scheme Information Document (SID) and Key Information Memorandum (KIM) of the Scheme, as applicable:

1. Scheme specific risk factors:

0.1. 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.

0.2. Risks factors associated with writing covered call options for equity shares

a) 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.

b) 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.

c) 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.

d) 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.

0.3. Risk factors associated with repo transactions in Corporate Debt Securities

Lending transactions:

The scheme may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase agreement. However in repo lending transactions, the collateral may be sold and a loss is realized only if the sale price is less than the repo amount. The risk may be further mitigated through over-collateralization (the value of the collateral being more than the repo amount). Further, the liquidation of underlying securities in case of counterparty default would depend on liquidity of the securities and market conditions at that time. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation and over-collateralization to cushion the impact of market risk on sale of underlying security.

Borrowing transactions:

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin). This risk is normally mitigated by better cash flow planning to take care of such repayments. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

2. Investment Restrictions:

2.1. Investment Restrictions for Investment in REITs/InvITs

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

a) No mutual fund under all its schemes shall own more than 10% of units issued by a single issuer of REIT and InvIT; and

b) A mutual fund scheme shall not invest –

   i. more than 10% of its NAV in the units of REIT and InvIT; and

   ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

2.2. 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:

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

2.3. Investment restrictions for Repo transactions in Corporate Debt Securities:

Below stated conditions and norms shall apply to repo in corporate debt securities, which are subject to change as may be prescribed by SEBI and/or RBI from time to time:

a) Any scheme shall not lend/borrow more than 10% of its net assets in repo against corporate debt securities.

b) The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt, derivatives and any other permitted assets shall not exceed 100% of the net assets of the Scheme.

c) The Scheme shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.

d) The exposure limit/investment restrictions prescribed under the Seventh Schedule of the Regulations and circulars issued there under (wherever applicable) shall be applicable to repo transactions in corporate debt securities.

e) Counterparty selection & credit rating

The AMC follows an issuer selection and approval process for fixed income investments and the same shall be used for selection of counterparties for repo in corporate debt securities. Repo transactions shall be carried out with only those counterparties who have a credit rating of 'AA- and above' (Long term rating) or 'A1+' (Short term rating) provided by any credit rating agency as accredited by SEBI from time to time.

f) Tenor of Repo

Tenor of repo shall not exceed 6 months. There shall be no restriction/ limitation on the tenor of collateral.

g) Applicable haircut

The AMC would be guided by the parameters for applying haircut as may be specified by RBI and/or SEBI for undertaking repo in corporate debt securities, from time to time.

h) Rating of underlying instruments

The schemes shall participate in repo transactions only in AA (or equivalent short term rating) and above rated corporate debt securities.

3. Exposure to Derivatives:

Covered Call Option Strategy: A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream.

Benefits of using Covered Call strategy in Mutual Funds:

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:

a) 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.

b) Generating additional returns in the form of option premium in a range bound market.

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 stay 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.

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.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).

In case you do not consent to the said change, you are entitled to exit the Scheme anytime between November 25, 2019 and December 26, 2019 (both days inclusive) and up to 3.00 pm on December 26, 2019, at applicable NAV without any exit load, if any, by submitting a valid redemption / switch request at any Official Point of Acceptance of the Fund. In case you do not exercise the exit option on or before 3.00 p.m. December 26, 2019, it will be deemed that you have consented to the said change. If the units are held in dematerialized form, investors are requested to contact their Depository Participant.

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 18, 2019

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