KEY INFORMATION MEMORANDUM

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. **For further details of the scheme/Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations etc. investors should, before investment, refer to the Scheme Information Document and Statement of Additional Information available free of cost at any of the Investor Service Centres or distributors or from the website www.idfcmf.com.**

The Scheme particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

Investment Objective

The scheme endeavors to generate income by investing in high quality fixed income securities as the primary objective and generate capital appreciation by investing in equity and equity related instruments as a secondary objective. There can be no assurance that the investment objective of the scheme will be realised.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Debt instruments and Money Market instruments	50% - 93%
Equity and Equity related instruments	7% - 50%

Investment in Securitized Debt - Upto 50% of Net Assets of the scheme

Investments in Foreign securities – Upto 50% of the Net Assets of the scheme

Investment in Derivatives – Upto 100% of the Net Assets of the scheme.

The total exposure to all equity, debt and derivative positions on a gross basis will not exceed 100% of the net assets of the scheme

Investment strategy of the scheme

IDFC Hybrid Portfolios Series I is a Close ended debt scheme. It endeavors to generate income by investing in high quality fixed income securities as the primary objective and generate capital appreciation by investing in equity and equity related instruments as a secondary objective.

The Scheme will initially deploy at least 50% of the funds collected during the New Fund Offer in high quality debt securities/money market instruments with an intention to generate income. The scheme will invest in a portfolio predominantly of fixed income securities that are maturing on or before the date of maturity of the scheme. The scheme shall follow a passive investment strategy for the fixed income component of the Scheme.

The scheme shall mature on September 28, 2011. If the maturity date falls on a holiday, the maturity date would be the following business day.

Investment approach for equity allocations:

The fund will seek to generate capital appreciation by investing in either cash equity or in equity derivatives. The cash equity portfolio in the scheme will be passive in nature and will mirror the NSE Nifty index. The derivative portfolio will comprise of futures and options on the Nifty Index and will be actively managed by the fund manager within the overall asset allocation of the fund.

The fund manager will look to use index options specifically to set up certain strategies designed to take advantage of the fund manager's view on the equity markets for the duration of the scheme. Use of index options allows the fund manager to set up the trades even while protecting the downside as the downside in case of options is limited to the option premium paid by the scheme.

Some examples of option strategies that the fund manager can take advantage of include the following:

1) **Buying an at-the-money (ATM) call option**

   A call option gives a buyer the right to participate in the upside of the underlying without participating in the downside. The losses for a long option position is limited to the initial option premium paid by the buyer. The fund manager will buy an ATM option if the fund manager expects the market to go up but does not want to get impacted on the downside.

   Risk factor for the strategy: In case the equity markets go down then the option premium paid to purchase the option is lost.

2) **Buying a call spread**

   A call spread involves buying a call while selling another out of-the-money (OTM) call with a higher strike price. The selling of the higher strike OTM call helps reduce the cost of the position but caps the return that the position will make in case the index moves up. The fund manager will buy a call spread if he expects the market to go up but does not expect a very big movement.

   Risk factor for the strategy: In case the equity markets go down then the option premium paid to purchase the call spread is lost.

3) **Buying an out of-the-money (OTM) call option**

   An OTM call option is cheaper than an ATM call option. A fund manager will use an OTM option if he expects the market to move up sharply but wants to reduce the cost of the option in case the view proves to be incorrect.

   Risk factor for the strategy: In case the equity markets go down then the option premium paid to purchase the option is lost.

4) **Buy a straddle**

   A straddle consist of buying a call option and put option together. Fund manager will use this strategy in case he is expecting the markets to move sharply higher or lower but is uncertain of the direction. However it is a high cost strategy as two set of options need to be bought.

   Risk factor for the strategy: In case the equity markets remain close to the initial level, then the option premium paid to purchase the straddle is lost.

Risk Profile of the Scheme

Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Scheme specific Risk Factors are summarized below:

- **Price-Risk or Interest-Rate Risk:** Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

- **Credit Risk:** In simple terms this risk means that the issuer of a debenture/bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government Securities, there is no credit risk to that extent. Different types of securities in which the scheme would invest as given in the scheme information document carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. E.g. corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.
- **Re-investment Risk:** Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.
- **Repurchase Risk:** The Scheme is a close ended income Scheme. No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Investors wishing to exit may do so through stock exchange mode. Listing of the units of the fund does not necessarily guarantee their liquidity and there can be no assurance that an active secondary market for the units will develop or be maintained. Consequently, the Fund may quote below its face value / NAV.

Risk Factors for derivatives

1. Credit Risk: The credit risk is the risk that the counter party will default obligations and is generally negligible, as there is no exchange of principal amounts in a derivative transaction. (especially in case of debt derivatives).
2. Market risk: Derivatives carry the risk of adverse changes in the market price.
3. Illiquidity risk: The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.
4. The risk is to the extent that returns are limited for the investors in case of extreme movement in call rates. (applicable to debt derivatives)
5. The fund pays the daily compounded rate. In practice however there can be a difference in the actual rate at which money is lent in the call market and the benchmark, which appears and is used. (applicable to debt derivatives)

Risks in Foreign Securities

The Scheme may also invest in overseas financial assets as permitted under the applicable regulations. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

Dematerialization

The Unit holders are given an Option to hold the units by way of an Account Statement or in Dematerialized ('Demat') form. Unit holders opting to hold the units in demat form must provide their Demat Account details in the specified section of the application form. The Unit holder intending to hold the units in Demat form are required to have a beneficiary account with a Depository Participant (DP) (registered with NSDL / CDSL as may be indicated by the Fund at the time of launch of the scheme) and will be required to indicate in the application the DP's name, DP ID Number and the beneficiary account number of the applicant held with the DP.

Incase the unit holders do not provide their Demat Account details, an Account Statement shall be sent to them. Such investors will not be able to trade in the stock exchange till their holdings are converted into demat form.

No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Unit holders wishing to exit may do so through the Stock Exchange mode.

Risk management strategies

The Fund by utilizing a holistic risk management strategy will endeavor to manage risks associated with investing in equity and debt markets. The risk control process involves identifying & measuring the risk through various risk measurement tools.

The Fund has identified following risks of investing in equities and designed risk management strategies, which are embedded in the investment process to manage such risks.

Risk & Description specific to Equities and Debt	Risk mitigants / management strategy
Quality risk	
Risk of investing in unsustainable/weak companies	Investment universe carefully selected to only include high quality businesses. Stringent credit evaluation process for debt securities
Concentration risk	The fund manager will create a well diversified portfolio of high quality names
Liquidity risk	
High impact costs	Fixed income portfolio will have a duration that matches the duration of the scheme
Volatility	
Price volatility due to company or portfolio specific factors	Asset allocation between debt and equity will mitigate the volatility effect of equities

Sub Plans and Options

Sub Plans: Nil | **Option:** Dividend & Growth

Applicable NAV for repurchase

This is a close ended scheme. Units shall be on offer for subscription only during the New Fund Offer period.

Applicable NAV for Sales

No Redemption/ repurchase of units shall be allowed prior to the maturity of the scheme. Unitholders who wish to exit may do so through the Stock Exchange mode. Switch outs to other schemes/plans of the Mutual Fund will be permitted only on maturity of the scheme

Minimum Application Amount / Number of Units

Purchase	Repurchase
Rs. 5,000/- per application and in multiples of Re. 10/- thereafter.	No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Investors wishing to exit may do so through stock exchange mode.

Despatch of Repurchase (Redemption) Request	Within 10 working days of the receipt of the redemption request at the authorised centre of IDFC Mutual Fund.
Benchmark Index	CRISIL MIP Blended Index.
Dividend Policy	Dividend declaration and distribution shall be in accordance with SEBI Regulations as applicable from time to time. The AMC reserves the right to declared dividend from time to time, depending on availability of distributable surplus.
Name of the Fund Manager	Mr. Ashwin Patni
Name of the Trustee Company	IDFC AMC Trustee Company Limited
Performance of the scheme	The scheme does not have any performance track record.
Expenses of the scheme	**NEW FUND OFFER EXPENSES:** New Fund offer expenses will be borne by the AMC. **(i) Load Structure** There is no Entry and Exit Load in the scheme No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Investors wishing to exit may do so through stock exchange mode. **(ii) Recurring Expenses** 1. on the first Rs. 100 crore of the Scheme's weekly average net assets, will not exceed 2.25% 2. on the next Rs. 300 crore of the Scheme's weekly average net assets, will not exceed 2.00% 3. on the next Rs. 300 crore of the Scheme's weekly average net assets, will not exceed 1.75% and 4. on the balance of the Scheme's weekly average net assets, will not exceed 1.50%. Recurring expenses incurred in excess of the aforesaid limits will be borne by the AMC.
Tax treatment for the Investors (Unitholders)	Investor will be advised to refer to the details in the Statement of Additional Information and also independently refer to his tax advisor.
Daily Net Asset Value (NAV) Publication	The NAV will be declared on a daily basis and will be published in 2 newspapers. NAV can also be viewed on www.idfcmf.com and www.amfiindia.com. You can also contact us at 1-800-226622.
For Investor Grievances please contact	**Name and Address of Registrar** **Computer Age Management Services Private Limited (CAMS)** 148 Old Mahabalipuram Road, Okkiyam Thuraipakkam, Chennai - 600096. Tel. :044-24587266. Fax 044-24580980. **Investor relations officers of IDFC AMC Ltd.:**

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Unitholders' Information	Account Statement (on transactions), shall be provided to investors by post or by e- mail if required. Annual Financial results shall be provided to the investor by post. The Half Yearly portfolio shall be disclosed in 2 newspapers within 1 month of the close of the half year.

Notwithstanding anything contained in the Scheme Information Document (SID) / Statement of Additional Information (SAI)/ Key Information Memorandum (KIM) the provisions of SEBI (Mutual Funds) Regulations 1996 and Guidelines thereunder shall be applicable. Further, investors may ascertain about any further changes from the Mutual Fund/Investor Service Centres / distributors or brokers.

Dated: February 22, 2010