

## Notice - Cum – Addendum No. 18 of 2017

### Addendum to the Scheme Information Document (SID) and Key Information Memorandum (KIM) of IDFC Banking Debt Fund

#### **Change in scheme features of the Scheme:**

NOTICE is hereby given that the scheme features of IDFC Banking Debt Fund, an open ended debt fund, shall stand modified as follows with effect from June 12, 2017 (“Effective Date”):

Name	Existing	Proposed
	IDFC Banking Debt Fund	IDFC Banking & PSU Debt Fund

#### **Investment Objective**

Existing	Proposed
The Scheme seeks to generate stable returns with a low risk strategy by creating a portfolio that is invested in debt and money market instruments issued by scheduled Commercial banks.	The Scheme seeks to generate returns through investments in debt and money market instruments predominantly issued by entities such as Banks, Public Sector Undertakings (PSUs) and Public Financial Institutions (PFIs).

#### **Existing Asset Allocation Pattern**

Instruments	Indicative Allocation (As % of total assets)	
	Maximum	Minimum
Debt & Money Market Instruments of scheduled commercial banks	100	80
CBLO, Repo, T-Bills and Government securities.*	20	0

\* Includes Financial Institutions and units of debt and liquid mutual fund schemes. Investment in mutual fund units will be restricted to 10% of the net assets of the scheme. The Scheme will not undertake repo transactions in corporate debt securities.

The scheme shall invest at least 80% of the net assets in securities issued by Scheduled Commercial Banks.

Investments in derivatives shall be upto 50% of the net assets of the scheme.

Financial institutions shall mean the list of public financial institutions as defined by RBI vide its master circular no. DBOD.FID.FIC.No.4/01.02.00/2011-12 dated July 01, 2011 (as may be amended from time to time).

#### **Proposed / Revised Asset Allocation Pattern**

Instruments	Indicative Allocation (As % of total assets)
Debt and Money Market Instruments issued by Banks, Public Sector Undertakings (PSUs) and Public Financial Institutions (PFIs)	80% - 100%
Government Securities (including State Development Loans), Treasury Bills / Cash Management Bills and Debt & Money Market Instruments issued by other entities, CBLO, repo / reverse repo	0% - 20%

Investment in securitized debt - up to 50% of net assets

Investments in derivatives – up to 50% of the net assets of the scheme

Investment in Foreign Debt Instruments - up to 25% of net assets

Investment in Securities lending – up to 20% of the net assets with maximum single party exposure restricted to 5% of the net assets.

Gross Exposure to Repo of Corporate Debt Securities – up to the extent permitted by the Regulations.

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

The scheme may invest in Credit Default Swaps (CDS) in accordance with the applicable guidelines / regulations as and when permitted by SEBI/RBI.

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

#### **Investment Strategy**

Existing Strategy	Revised Strategy (proposed)
<p>The Scheme proposes to invest substantially in money market instruments. The aim of the investment strategy is to generate stable returns with minimal risk.</p> <p>Investment in debt &amp; money market instruments issued by scheduled commercial banks, treasury bills &amp; government securities is primarily with the intention of maintaining high credit quality &amp; liquidity. At least 70% of the net assets of the scheme shall be invested in securities rated AAA/A1+ and equivalent. The scheme shall not invest in securities rated below AA- or equivalent.</p>	<p>The Scheme aims to predominantly invest in debt and money market instruments issued by entities such as Scheduled Commercial Banks, Public Sector Undertakings and Public Financial institutions. The fund will follow an active investment strategy within the overall mandate, depending on opportunities available at various points in time.</p>

#### **Benchmark:**

Existing	Revised
Crisil Liquid Fund Index	<p><b>Crisil Short Term Bond Fund Index</b></p> <p>Since the Scheme shall invest in a mix of debt securities and money market instruments issued by banks and other entities. Crisil Short Term Bond Fund Index adequately represents the scheme’s strategy over short to medium term horizon.</p> <p>Crisil Short Term Bond Fund Index seeks to track the performance of a debt portfolio that includes government securities, AAA/AA rated corporate bonds, Commercial Papers and Certificates of Deposit.</p>

The change in asset allocation pattern being a change in the fundamental attributes of the Scheme, in terms of regulation 18(15A) of SEBI (Mutual Funds) Regulations, 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 the Scheme in view of the proposed change in the Scheme’s features. The period of this no load exit offer is valid for a period of 30 days from May 11, 2017 to June 09, 2017 (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 May 11, 2017.

Such exit option will not be available to investors whose units have been 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 June 09, 2017 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.

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

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.

As regards the unitholders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of IDFC Mutual Fund and Scheme Information Document of the Scheme would apply. In view of individual nature of tax consequences, unitholders are advised to consult your financial / tax advisor for detailed tax advice.

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

Date: May 08, 2017

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**