IDFC
IDFC MUTUAL FUND

Notice - Cum - Addendum No. 24 of 2018

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

Change in features of the Scheme:

NOTICE is hereby given that pursuant to SEBI circulars dated October 6, 2017 and December 4, 2017 on categorization and rationalization of mutual fund schemes, the features of IDFC Corporate Bond Fund, an open ended debt fund, shall stand modified as follows with effect from **Monday, May 28, 2018** ("Effective Date"):

Type / Category

Existing	Proposed
Open Ended Income Scheme	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds.

Investment Objective

Existing	Proposed
The Fund seeks to provide steady income and capital appreciation by investing primarily in corporate debt securities across maturities and ratings.	The Fund seeks to provide steady income and capital appreciation by investing primarily in AA+ and above rated corporate debt securities across maturities.

Asset Allocation Pattern (existing)

Instruments	Indicative Allocation (as % of net assets)	
	Minimum	Maximum
Corporate Debt (including securitised debt) across maturities and ratings	80	100
Money Market Instruments including treasury bills and cash management bills	0	20

The Scheme will not have weighted average portfolio maturity of more than 5 years.

Investment in Securitised Debt - up to 50% of the net assets.

Investment in Foreign Debt Instruments - up to 50% of the 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.

Investment in Derivatives - up to 50% of the net assets.

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

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

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

The scheme shall not invest in Government Securities, State Development Loans and Credit Default Swaps (CDS). It is clarified that the scheme may invest in Treasury Bills (T-Bills) and Cash Management Bills (CMB) up to the extent mentioned above.

Asset Allocation Pattern (proposed/revised)

Asset Class	Indicative Allocation (as % of total assets)
Corporate bonds (including securitised debt) rated AA+/equivalent and above	**80% - 100%**
Other Debt Securities (including securitised debt and Government Securities), **Money Market Instruments and Units issued by REITs & InvITs**, within which	**0% - 20%**
- Units issued by REITs & InvITs	0% - 10%

Investment in Securitised Debt - up to 50% of the total assets.

Investment in Foreign securities - up to 50% of total assets.

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

Exposure in Derivatives - up to 100% of total assets.

Gross Exposure to Repo of Corporate Debt Securities - up to the extent permitted by the Regulations (currently up to 10% of total assets, subject to change in line with the regulations from time to time)

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 regulations as and when permitted by SEBI/RBI up to the extent permitted by the regulations.

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

Investment Strategy

Existing	Proposed
The Scheme will primarily invest in securities issued by corporate (both private sector and public sectors) including banks and financial institutions across maturities / yield curve and ratings. It will look for opportunities from credit spreads among the range of available corporate bonds. The Scheme will not have weighted average portfolio maturity of more than 5 years. The general maturity range for the portfolio will be determined after considering the prevailing political conditions, the economic environment (including interest rates and inflation), the performance of the corporate sector and general liquidity as well as other considerations in the economy and markets.	The Scheme will primarily invest in securities issued by corporate (both private sector and public sectors) including banks and financial institutions rated AA+ and above across maturities / yield curve. It will look for opportunities from credit spreads among the range of available corporate bonds. The aim of the Investment Manager will be to allocate the assets of the Scheme amongst various fixed income instruments (debt / money market) with the objective of optimizing returns. The actual percentage of investment in various fixed income instruments and the general maturity range for the portfolio will be determined from time to time basis the prevailing macro-economic environment (including interest rates and inflation), market conditions, general liquidity, and fund manager views.

Risk factors:

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

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

Trading in Derivatives

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

Imperfect hedging:

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

Example of imperfect hedge due to use of IRF:

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

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

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

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

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

The change in investment objectives, asset allocation pattern and investment strategy of the Scheme, and use of IRF to imperfectly hedge the portfolio, being a change in the fundamental attributes of the Scheme, in terms of regulation 18(15A) of SEBI (Mutual Funds) Regulations, 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 **Wednesday, April 25, 2018** to **Friday, May 25, 2018** (both days inclusive). The normal redemption / switch request form may be used for this purpose and submitted at any of the IDFC AMC / CAMS ISCs. The no load exit option will be available only to those investments in the Scheme made prior to **Wednesday, April 25, 2018.**

Such exit option will not be available to unitholders 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 **Friday, May 25, 2018** would be deemed to have consented to the proposed change. It may be noted that the offer to exit is merely an option and is not compulsory.

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 their 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: April 19, 2018

Size : 12 (w) x 50 (h) cm