LIC MUTUAL FUND

Investment Manager: LIC Mutual Fund Asset Management Ltd.
(Formerly known as LIC Nomura Mutual Fund)

Date: 17/04/2018

Dear Unit holder,

<u>Sub: Change in the Fundamental Attributes and Scheme Features of LIC MF Growth Fund .</u>

We thank you for your investment in LIC MF Growth Fund.

LIC MF Growth Fund was launched by LIC Mutual Fund as an open ended pure growth scheme seeking to provide capital growth by investing mainly in equity and equity related securities of larges cap companies by market capitalization and also in debt and other permitted instruments of capital and money markets. The investment portfolio of the scheme will be constantly monitored and reviewed to optimize capital growth. However, there is no assurance that the investment objective of the Schemes will be realized.

Normal Asset allocation as per Scheme Information Document (SID) of LIC MF Growth Fund :

Investments	**Indicative Allocation (% of corpus)**	
	Minimum	**Maximum**
Equity	80%	100%
Debt	0%	20%

During the product review process, SEBI has advised us to review and modify the current dynamic asset allocation of LIC MF Growth Fund along with relevant other changes (if any), being a change in fundamental attributes to the Scheme.

Accordingly, the following changes in Scheme Information Document (SID) & Key Information Memorandum (KIM) of LIC MF Growth Fund are proposed:-

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>Existing</th><th>Proposed</th></tr>
<tr><td>1</td><td>Name of the Scheme</td><td>LIC MF Growth Fund</td><td>LIC MF Large Cap Fund</td></tr>
<tr><td>2</td><td>Type of the Scheme</td><td>An Open-ended pure growth Scheme</td><td>An open ended equity scheme predominantly investing in large cap stocks.</td></tr>
<tr><td>3</td><td>Product Labelling</td><td>• Long Term Capital Growth
• Investment in equity and equity related securities
• Risk - Moderately High</td><td>• Long Term Capital Growth
• Investment in equity and equity related securities of large cap companies.
• Risk - Moderately High</td></tr>
<tr><td>4</td><td>Investment Objectives</td><td>An open ended pure growth scheme seeking to provide capital growth by investing mainly in equity instruments and also in debt and other permitted instruments of capital and money markets. The investment portfolio of the scheme will be constantly monitored and reviewed to optimize capital growth. However, there is no assurance that the investment objective of the Schemes will be realized</td><td>To achieve long term capital appreciation by investing in a diversified portfolio predominantly consisting of equity and equity related securities of Large Cap companies including derivatives. However, there can be no assurance that the investment objective of the Scheme will be achieved.</td></tr>
<tr><td>5</td><td>Benchmark</td><td>S & P BSE Sensex</td><td>Nifty 100 Index</td></tr>
<tr><td>6</td><td>Asset Allocation</td><td>
<table>
<tr><th>Instruments</th><th colspan="2">Indicative Allocation (% of total assets)</th><th>Risk Profile</th></tr>
<tr><th></th><th>Minimum - Maximum</th><th>Deviation (%) from Normal allocation</th><th></th></tr>
<tr><td>Equity and equity related instruments</td><td>Up to 100%</td><td>-</td><td>Medium to High</td></tr>
<tr><td>Debt and debt related instruments, G-Secs, Money market instruments and cash</td><td>Up to 20%</td><td>40%</td><td>Low to Medium</td></tr>
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<tr><td>Debt and debt related instruments, G-Secs, Money market instruments and cash</td><td>0%</td><td>20%</td><td>Low to Medium</td></tr>
</table>
* The Scheme will invest predominantly in Equity and Equity related instruments of Large Cap Companies. Large Cap – 1^{st} – 100^{th} Company in terms of full market capiltalisation as provided by AMFI.

Stock lending Subject to SEBI (MF) Regulations and the applicable guidelines issued by SEBI, the Mutual Fund may engage in stock lending. The AMC shall comply with all reporting requirements and the Trustee shall carry out periodic review as required by SEBI
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			guidelines. Stock lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation. The securities lent will be returned by the borrower on expiry of the stipulated period. The Investment Manager will apply the following limits, should it desire to engage in Stock Lending: 1. Not more than 20% of the net assets of a Scheme can generally be deployed in Stock Lending. 2. Not more than 5% of the net assets of a Scheme can generally be deployed in Stock Lending to any single counter party.
7	**Risk associated with Stock Lending**	**Not Given.**	Risks associated with stock lending may include counter party risk, liquidity risk and other market risks. At present, there is no significant activity in the Securities Borrowing and Lending market. The Mutual Fund has so far not participated in Securities Lending market. However, we understand the risks associated with the securities lending business and the AMC will have appropriate controls (including limits) before initiating any such transactions.
8	**Scheme Investment**	1) The scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the SEBI Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Boards of the Trustee Company and the asset management company; Provided that such limit shall not be applicable for investment in Government Securities, treasury bills and collateralized borrowing and lending obligations; Provided further that investment within such limit can be made in mortgaged backed securitized debt which is rated not below investment grade by a credit rating agency registered with SEBI. 2) The Mutual Fund under all its schemes shall not own more than 10% of any company's paid up capital carrying voting rights. 3) Transfer of investments from one Scheme to another Scheme in the Mutual Fund shall be allowed only if: (i) such transfer is done at the prevailing market price for quoted instruments on spot basis (spot basis shall have the same meaning as specified by a stock exchange for spot transactions (ii) the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made. 4) The Schemes may invest in another scheme (except fund of funds Schemes) under the AMC or any other mutual fund without charging any fees, provided that the aggregate inter-scheme investment made by all Schemes under the same management or in Schemes under the management of any other asset management company shall not exceed 5% of the Net Asset Value of the Mutual Fund. 5) The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities: Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. Provided further that the Mutual Fund may enter into derivatives transactions in a recognized' stock exchange, subject to the framework specified by SEBI. Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the RBI in this regard.	1) The scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the SEBI Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Boards of the Trustee Company and the asset management company; Provided that such limit shall not be applicable for investment in Government Securities, treasury bills and collateralized borrowing and lending obligations; Provided further that investment within such limit can be made in mortgaged backed securitized debt which is rated not below investment grade by a credit rating agency registered with SEBI. 2) The Mutual Fund under all its schemes shall not own more than 10% of any company's paid up capital carrying voting rights. 3) Transfer of investments from one Scheme to another Scheme in the Mutual Fund shall be allowed only if: (i) such transfer is done at the prevailing market price for quoted instruments on spot basis (spot basis shall have the same meaning as specified by a stock exchange for spot transactions (ii) the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made. 4) The Schemes may invest in another scheme (except fund of funds Schemes) under the AMC or any other mutual fund without charging any fees, provided that the aggregate inter-scheme investment made by all Schemes under the same management or in Schemes under the management of any other asset management company shall not exceed 5% of the Net Asset Value of the Mutual Fund. 5) The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities: Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. Provided further that the Mutual Fund may enter into derivatives transactions in a recognized' stock exchange, subject to the framework specified by SEBI. Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the RBI in this regard.

		6) The Mutual Fund shall get the securities purchased/transferred in the name of the Mutual Fund on account of the Schemes, wherever the instruments are intended to be of a long term nature.	6) The Mutual Fund shall get the securities purchased/transferred in the name of the Mutual Fund on account of the Schemes, wherever the instruments are intended to be of a long term nature.
		7) Pending deployment of funds of the Schemes in terms of the investment objective of the Schemes, the Mutual Fund may invest them in short term deposits of scheduled commercial banks, in terms of SEBI circular no. SEBI/IMD/CIR No. 1/ 91171 /07 dated April 16, 2007, subject to the following conditions: (i) “Short Term” for parking of funds shall be treated as a period not exceeding 91 days. (ii) Such short-term deposits shall be held in the name of the Scheme. (iii)The Schemes shall not park more than 15% of their net assets in the short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with the prior approval of the Trustee. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits. (iv)The Schemes shall not park more than 10% of their net assets in short term deposit(s) with any one scheduled commercial bank including its subsidiaries. (v) The Trustee shall ensure that the funds of the Schemes are not parked in the short term deposits of a bank which has invested in the Schemes. The above provisions do not apply to term deposits placed as margins for trading in cash and derivative market. AMC will not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks.	7) Pending deployment of funds of the Schemes in terms of the investment objective of the Schemes, the Mutual Fund may invest them in short term deposits of scheduled commercial banks, in terms of SEBI circular no. SEBI/IMD/CIR No. 1/ 91171 /07 dated April 16, 2007, subject to the following conditions: (i) “Short Term” for parking of funds shall be treated as a period not exceeding 91 days. (ii) Such short-term deposits shall be held in the name of the Scheme. (iii)The Schemes shall not park more than 15% of their net assets in the short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with the prior approval of the Trustee. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits. (iv)The Schemes shall not park more than 10% of their net assets in short term deposit(s) with any one scheduled commercial bank including its subsidiaries. (v) The Trustee shall ensure that the funds of the Schemes are not parked in the short term deposits of a bank which has invested in the Schemes. The above provisions do not apply to term deposits placed as margins for trading in cash and derivative market. AMC will not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks.
		8) No Scheme shall make any investment in: (i) any unlisted security of any associate or group company of the Sponsors; or (ii) any security issued by way of private placement by an associate or group company of the Sponsors; or (iii)the listed securities of group companies of the Sponsors, which is in excess of 25% of the net assets.	8) No Scheme shall make any investment in: (i) any unlisted security of any associate or group company of the Sponsors; or (ii) any security issued by way of private placement by an associate or group company of the Sponsors; or (iii)the listed securities of group companies of the Sponsors, which is in excess of 25% of the net assets.
		9) The Schemes shall not make any investment in any fund of funds scheme.	9) The Schemes shall not make any investment in any fund of funds scheme.
		10) No Scheme shall invest more than 10% of its NAV in the equity shares/equity related instruments of any company. Provided that the limit of 10% shall not be applicable for investments in the case of index fund or sector or industry specific scheme.	10) No Scheme shall invest more than 10% of its NAV in the equity shares/equity related instruments of any company. Provided that the limit of 10% shall not be applicable for investments in the case of index fund or sector or industry specific scheme.
		11) No Scheme, shall invest more than 5% of its NAV in the unlisted equity shares/equity related instruments	11) No Scheme, shall invest more than 5% of its NAV in the unlisted equity shares/equity related instruments
		12) No term loans for any purpose may be advanced by the Mutual Fund and the Mutual Fund shall not borrow except to meet temporary liquidity needs of the Schemes for the purpose of repurchase, redemption of Units or payment of interest or dividends to Unit Holders, provided that the Mutual Fund shall not borrow more than 20% of the net assets of each of the Schemes and the duration of such borrowing shall not exceed a period of six months.	12) No term loans for any purpose may be advanced by the Mutual Fund and the Mutual Fund shall not borrow except to meet temporary liquidity needs of the Schemes for the purpose of repurchase, redemption of Units or payment of interest or dividends to Unit Holders, provided that the Mutual Fund shall not borrow more than 20% of the net assets of each of the Schemes and the duration of such borrowing shall not exceed a period of six months.
		13) If any company invests more than 5 percent of the NAV of any of the Schemes, investment made by that or any other Scheme of the Mutual Fund in that company or its subsidiaries will be disclosed in accordance with the SEBI (MF) Regulations.	13) If any company invests more than 5 percent of the NAV of any of the Schemes, investment made by that or any other Scheme of the Mutual Fund in that company or its subsidiaries will be disclosed in accordance with the SEBI (MF) Regulations.
		14) The Mutual Fund may enter into short selling transactions and may lend and borrow securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.	14) The Mutual Fund may enter into short selling transactions and may lend and borrow securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.
		15) Investment limitation/restriction specific to Fund of Funds Scheme a. A Fund of Funds scheme shall not invest into another Fund of Funds Scheme	15) Investment limitation/restriction specific to Fund of Funds Scheme a. A Fund of Funds scheme shall not invest into another Fund of Funds Scheme

		b. The Scheme shall not invest its assets other than in schemes of mutual funds, except to the extent of funds required for meeting the liquidity requirements for the purpose of repurchases or redemptions, as disclosed earlier. 16) The cumulative gross exposure through equity, debt and derivatives position shall not exceed 100% of the net assets of the respective scheme. However, the following shall not be considered while calculating the gross exposure: a) Security-wise hedged position and b) Exposure in cash or cash equivalents with residual maturity of less than 91 days. 17) Total exposure of debt schemes of mutual funds in a particular sector (excluding investments in Bank CDs, CBLO, G-Secs, T-Bills, short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 25% of the net assets of the scheme; Provided that an additional exposure to financial services sector (over and above the limit of 25%) not exceeding 5% of the net assets of the scheme shall be allowed only by way of increase in exposure to Housing Finance Companies (HFCs); Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 25% of the net assets of the scheme. 18 The Schemes will comply with any other Regulations applicable to the investment of mutual funds from time to time. 19. The investment manager may, from time to time invest its own funds in the scheme at its discretion. However, the investment manager shall not be entitled to charge any fees on its investments in the scheme. 20. Aggregate value of 'illiquid securities' which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme.	b. The Scheme shall not invest its assets other than in schemes of mutual funds, except to the extent of funds required for meeting the liquidity requirements for the purpose of repurchases or redemptions, as disclosed earlier. 16) The cumulative gross exposure through equity, debt and derivatives position shall not exceed 100% of the net assets of the respective scheme. 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However, the investment manager shall not be entitled to charge any fees on its investments in the scheme. 20) Aggregate value of 'illiquid securities' which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme. 21) The Scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of asset management company. Note : Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments as specified above. Further, it is clarified that the investment limits mentioned in (1) and (2) above are applicable to all debt securities which are issued by public bodies/institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either central or state government. Government securities issued by central/state government or on its behalf by RBI are exempt from the above referred investment limits. 22) Mutual Funds/AMCs shall ensure that total exposure of debt schemes of mutual funds in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees. These investment limitations/parameters as expressed (linked to the Net Asset/Net Asset Value/capital) shall, in the ordinary course, apply as at the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value or by reason of the receipt of any rights, bonuses or benefits in the nature of capital or of any Scheme of arrangement or for amalgamation, reconstruction or exchange, or at any repayment or redemption or other reason outside the control of the Mutual Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as

			a priority objective the remedying of that situation, taking due account of the interests of the Unit Holders. The Trustee /AMC may alter the above stated limitations from time to time, and also to the extent the SEBI (MF) Regulations change, so as to permit the Schemes to make their investments in the full spectrum of permitted investments in order to achieve their investment objective. All the investment restrictions shall be applicable at the time of making investments.
9	**Where the scheme will invest?**	The Scheme proposes to invest in a mix of fixed income securities including securitised debt, asset backed securities, corporate debentures, bonds, money market instruments and equities and equity related instruments with the aim of generating long term capital appreciation. The Fund proposes to continuously monitor the potential for both debt and equity to arrive at an optimum asset allocation between the asset classes. The Scheme may invest in money markets instruments including call money market, or any other alternative permitted by Reserve Bank of India in lieu of Call money, term/notice money market and repos in order to meet the liquidity requirements or to meet the defensive nature the portfolio. The Scheme may also invest in Govt. Securities, which may be those supported by the ability to borrow from the treasury; those with sovereign or state guarantee or those supported by the state govt. or the govt. of India in some other way. The Fund may invest, subject to necessary approvals, in ADR's / GDR's of Indian Companies listed overseas. The Fund will employ necessary measures to manage foreign exchange movements arising out of such investments. The Fund may also invest in overseas securities with the approval of RBI/SEBI, subject to such guidelines as may be issued by RBI/SEBI. The Fund may also use trading in derivatives for the purpose of hedging and portfolio balancing in accordance with SEBI regulations. **Changes in investment pattern:** Depending upon the market conditions, market opportunities available, the political and economic factors and subject to the Regulations, the percentage investments of the fund may vary at times, based on the perception of the Fund Manager within the overall investment objective of the scheme. **Investment of subscription money:** Pending deployment of funds of the scheme in securities in terms of investment objectives of the scheme, the AMC can invest the funds of the scheme in money market instruments. The income earned on such investments will be merged with the income of the scheme. **Trading in Derivatives** SEBI has permitted Mutual Funds to participate in derivatives trading subject to observance of guidelines issued by it in this behalf. Accordingly, Mutual Funds may use various derivative products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unit holders' interest. The scheme intends to use long call options. The Fund will invest only in exchange traded options, and not in OTC (Over The Counter) derivatives. The Mutual Fund would comply with the provisions of SEBI Circular Ref. No. DNPD/Cir-29/2005 dated September 14, 2005 and SEBI circular Ref. No. Cir/IMD/DF/11/ 2010 dated August 18, 2010 and such other amendments issued	The Scheme will invest predominantly in Equity and Equity Related Instruments of Large Cap companies with strong growth and sustainable business models, whilst managing risk. The portfolios will be built utilising a bottom-up stock selection process, focusing on appreciation potential of individual stocks from a fundamental perspective. The AMC employs a "Fair value" based research process to analyse the appreciation potential of each stock in its universe (Fair value is a measure of the intrinsic worth of a company). The universe of stocks is carefully selected to include companies having robust business models and enjoying sustainable competitive advantages as compared to their competitors. The Scheme may also invest in Govt. Securities, which may be those supported by the ability to borrow from the treasury; those with sovereign or state guarantee or those supported by the state govt. or the govt. of India in some other way. The Fund may invest, subject to necessary approvals, in ADR's / GDR's of Indian Companies listed overseas. The Fund will employ necessary measures to manage foreign exchange movements arising out of such investments. The Fund may also invest in overseas securities with the approval of RBI/SEBI, subject to such guidelines as may be issued by RBI/SEBI. 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		by SEBI from time to time while trading in derivatives. Presently, the position limits for trading in derivatives by Mutual Fund specified by SEBI vide its circular Ref. No. DNPD/Cir-29/2005 dated September 14, 2005, circular Ref. No. DNPD/Cir-30/2006, dated January 20, 2006 and September 22, 2006 are as follows: **Position Limits** The position limits for Mutual Funds and its schemes shall be under: **(i) Position limit for Mutual Funds in index options contracts** a) The Mutual Fund position limit in all index options contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange. b) This limit would be applicable on open positions in all options contracts on a particular underlying index. **(ii) Position limit for Mutual Funds in index futures contracts** a) The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange. b) This limit would be applicable on open positions in all futures contracts on a particular underlying index. **(iii) Additional position limit for hedging** In addition to the position limits at point (i) and (ii) above, Mutual Funds may take exposure in equity index derivatives subject to the following limits: a) Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks. b) Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments. **(iv) Position limit for Mutual Funds for stock based derivative contracts** a) For stocks having applicable market-wise position limit (MWPL) of INR 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or INR 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or INR 150 crores, whichever is lower. b) For stocks having applicable market-wise position limit (MWPL) less than INR 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or INR 50 crore whichever is lower. c) The MWPL and client level position limits however would remain the same as prescribed. **(v) Position limit for each scheme of a Mutual Fund** The scheme-wise position limit requirements shall be: a) 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 mutual fund shall not exceed the higher of: 1. 1% of the free float market capitalization (in terms of number of shares). Or 2. 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts). b) This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange. c) For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a	by SEBI from time to time while trading in derivatives. Presently, the position limits for trading in derivatives by Mutual Fund specified by SEBI vide its circular Ref. No. DNPD/Cir-29/2005 dated September 14, 2005, circular Ref. No. DNPD/Cir-30/2006, dated January 20, 2006 and September 22, 2006 are as follows: **Position Limits** The position limits for Mutual Funds and its schemes shall be under: **(i) Position limit for Mutual Funds in index options contracts** a) The Mutual Fund position limit in all index options contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange. b) This limit would be applicable on open positions in all options contracts on a particular underlying index. **(ii) Position limit for Mutual Funds in index futures contracts** a) The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange. b) This limit would be applicable on open positions in all futures contracts on a particular underlying index. **(iii) Additional position limit for hedging** In addition to the position limits at point (i) and (ii) above, Mutual Funds may take exposure in equity index derivatives subject to the following limits: a) Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks. b) Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments. **(iv) Position limit for Mutual Funds for stock based derivative contracts** a) For stocks having applicable market-wise position limit (MWPL) of INR 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or INR 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or INR 150 crores, whichever is lower. b) For stocks having applicable market-wise position limit (MWPL) less than INR 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or INR 50 crore whichever is lower. c) The MWPL and client level position limits however would remain the same as prescribed. **(v) Position limit for each scheme of a Mutual Fund** The scheme-wise position limit requirements shall be: a) 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 mutual fund shall not exceed the higher of: 1. 1% of the free float market capitalization (in terms of number of shares). Or 2. 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts). b) This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange. c) For index based contracts, Mutual Funds 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.

Further, the exposure limits for trading in derivatives by Mutual Fund specified by SEBI vide its circular Ref. No. Cir/IMD/DF/11/2010 dated August 18, 2010, is as follows:

1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
2. Mutual Funds shall not write options or purchase instruments with embedded written options.
3. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.
4. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
5. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:

- Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
- 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
- Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
- 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.

6. Mutual Funds may enter into plain vanilla 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.
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 above.
8. Definition of Exposure in case of derivatives 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:

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.

Investment Process and Recording of Investment Decisions

The AMC through it's various policies and procedures defines prudential and concentration limits to de-risk the portfolio. The investment management team is allowed full discretion to make sale and purchase decisions within the limits established. The responsibility for the investment decisions is with the portfolio managers and the CEO of the AMC does not have any role in the day to day decision making process. All the decisions will be recorded along with their justifications. The AMC and Trustee will

particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

Further, the exposure limits for trading in derivatives by Mutual Fund specified by SEBI vide its circular Ref. No. Cir/IMD/DF/11/2010 dated August 18, 2010, is as follows:

1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
2. Mutual Funds shall not write options or purchase instruments with embedded written options.
3. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.
4. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
5. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:

- Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
- 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
- Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
- 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.

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<table>
<tr><td></td><td></td><td>review the performance of the scheme in their Board meetings. The performance would be compared with the performance of the benchmark index and with peer group in the industry

Investments by the Schemes of the AMC and other AMC
The Scheme may, in line with its investment objectives, invest in another Scheme under the management of AMC or of any other Asset Management Company. The aggregate Inter-scheme investment by LIC MF under all its Schemes, other than fund of fund schemes, taken together, in another Scheme managed by AMC or in any other Scheme of any other Mutual Fund, shall not be more than 5% of the net asset value of the Fund. No fee shall be charged by the AMC on any investment in another Scheme under the management of AMC or of any other Asset Management Company.

Investments in the Scheme by the AMC, Sponsor, or their affiliates in the Scheme
The AMC, Sponsor, Trustee and their associates or affiliates may invest in the scheme during the New Fund Offer Period or through Stock Exchange subject to the SEBI Regulations & circulars issued by SEBI and to the extent permitted by its Board of Directors from time to time. As per the existing SEBI Regulations, the AMC will not charge investment management and advisory fee on the investment made by it in the scheme.

Investment of Subscription Money
The AMC shall commence investment out of the NFO proceeds received in accordance with the investment objectives of the Scheme only on or after the closure of the NFO period .</td><td>review the performance of the scheme in their Board meetings. The performance would be compared with the performance of the benchmark index and with peer group in the industry

Investments by the Schemes of the AMC and other AMC
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The AMC, Sponsor, Trustee and their associates or affiliates may invest in the scheme during the New Fund Offer Period or through Stock Exchange subject to the SEBI Regulations & circulars issued by SEBI and to the extent permitted by its Board of Directors from time to time. As per the existing SEBI Regulations, the AMC will not charge investment management and advisory fee on the investment made by it in the scheme</td></tr>
<tr><td>10</td><td>What Are The Investment Strategies?</td><td>Approach to investment in equity:
The investment approach for investing in equities would be to identify companies with a strong competitive position in a good business and having quality management. The focus would on fundamentally driven investment with scope for future growth.
Approach to investment in debt:
The investment in debt securities will usually be in instruments, which have been assigned as investment grade ratings by a recognized credit rating agency. In case a debt instrument is not rated, prior approval of Board of directors will be obtained for such investments. The Maturity profile of debt instruments will be selected in line with the outlook for the market. The investment strategy would emphasize investments in securities that give consistent returns at low levels of risks. If the Scheme decides to invest in Securitised Debt and or Asset backed securities it is the intention of the investment manager that such investments will not normally exceed 30% of the corpus of the Scheme.
Trading in derivatives:
The Scheme may use derivatives with respect to debt in accordance with SEBI regulations in an attempt to protect the portfolio values and unit holder interest. The AMC in appropriate circumstances may use futures, options and other derivatives subject to applicable regulations and counter party risk assessment as and when they become permissible in the Indian markets subject to necessary authorization. In addition subject to applicable regulations and counter party risk assessment the scheme may also borrow or lend stock.

The Value of the derivative contracts outstanding will be limited to 20% of the net assets of the Scheme.

Trading in derivative shall however be restricted to hedging and portfolio balancing purposes as illustrated in the following cases :

Equity market Derivatives:
The fund proposes to invest in equity market derivatives such as index futures, stock futures and such other instruments as permitted under SEBI regulations from time to time.

INDEX FUTURES:</td><td>The fund manager may use equity derivatives (index futures and options and stock futures and options) within the permissible limits to hedge and to rebalance the portfolio.

The fund manager could also use active cash calls as a means to rebalance or hedge the portfolio up to the permissible limits.

The investment manager will invest only in those money market instruments that are related investment grade by a domestic credit rating agency authorized to carry out such activity, such as CRISIL, ICRA, CARE etc., which the Investment manager believes to be of equivalent quality.
<u>Derivative Strategies</u>
Index Futures
Index Futures of 1 month, 2 months, and 3 months duration are presently traded on these BSE and NSE exchanges. These futures expire on the last working Thursday of the respective months. The Index futures are cash settled, without delivery of the underlying stock. The profitability of the position in the futures trade depends on
• Carrying Cost
• Interest available on surplus funds
• Transaction Costs
• Future roll over cost, in case future contracts are rolled over
• Market Liquidity
An example of typical future trade and associated cost as compared to purchasing the underlying index stocks is illustrated below

If the Index was 5190 at the beginning of a month and the quotes for the 1-month future is as under:<table><tr><th>Month</th><th>Bid Price</th><th>Offer Price</th></tr><tr><td>1</td><td>5200</td><td>5215</td></tr></table>The Fund can make an actual purchase of the stocks in the Index at the Index level of 5000 or buy one month future at the offer price of 5215 as illustrated above. The cost of employing both the strategies</td></tr>
</table>

a) When the Investment Manager takes a negative view on the market:

When the investment manager anticipates the market to fall from its current levels, he needs to reduce his exposure to equities. He may do so by taking a short position in index futures i.e. by selling the index forward thereby reducing the market risk and volatility of the portfolio. He can unwind his position by concurrently selling equities from the investment portfolio and simultaneously reverse his position on the index.

b) When the Investment Manager takes a positive view on the market:

When the investment manager anticipates rise from the current market levels, the investment manager needs to make the most of the opportunity he foresees. The Scheme being open-ended would witness a daily inflow of funds, which in the above case need to be deployed on an immediate basis. In such a situation the Investment Manager would take a long position in index futures i.e. he would buy the index and then gradually reverse his position as the funds actually get invested in the market.

The following table illustrates the underlying effects of derivative trading we assume a equity corpus of Rs. 100 crore and a 20% Hedge i.e. futures contract value of Rs. 20 crore

Portfolio	**Event**	**Equity Portfolio**	**Derivative**	**Final Portfolio**
		Gain/(Loss) Rs. in crore		
Without Hedge	10% fall in equity prices	(10)	Nil	**90**
	10% rise in equity prices	10	Nil	110
With Hedge	10% fall in equity prices	(10)	2	92
	10% rise in equity prices	10	(2)	108

RISKS

The strategy of taking a short position in index futures is a hedging strategy and reduces the market risk. The short position is negatively correlated with the market and the price of the contract may go up or down depending on market conditions. There is no assurance that the stocks in the portfolio and the index behave in the same way and thus this strategy may not be a perfect hedge.

The short position will have as much loss as a gain in the underlying index. E.g. if the index appreciates by 10%, the future value falls by 10%. However, this is true for futures contracts held till maturity. In the event that a futures contract is closed out before its expiry, the quoted price of the futures contract may be different from the gain/loss due to the movement of the underlying index. This is called the basis risk.

While futures markets are typically more liquid than the underlying cash market, there can be no assurance that ready liquidity would exist at all points in time, for the Scheme to purchase or close out a specific futures contract.

is illustrated below.

Particulars	**Index Future**	**Actual Purchase of**
Index at the beginning of the month	5190	5000
Price of 1 Month Future	5215	NA
A. Execution Cost: Carry and other Index Future costs ((5215 – 5190)	25	Nil
B. Brokerage Cost: Assumed at 0.20% for Index Future and 0.25% for spot Stocks (0.20% of 5215) (0.25% of 5190)	10.43	12.98
C. Return on Surplus Funds left after paying margin (assumed 8% return on the remaining 90% of the funds left after paying 10% margin) (8%*5190*90%*30 days/365)	30.71	Nil
Total Cost (A+B-C)	**4.72**	**12.98**

Now if on the date of expiry the Index closes at 5300, then the strategy of purchasing one month future would yield a gain of INR 105.28 (5300-5190-4.72) while the purchase of the underlying securities would result in a gain of INR 97.02

<u>Strategies employing index futures</u>

The fund will invest the equity portion in a basket of stocks. During the time that the fund manager believes bearishness in the market, the fund can hedge the exposure to equity, fully or partially, by selling futures positions in the index.

A long position can be built by buying futures positions in the index against the available cash and permissible equivalents. Existing guidelines will determine the extent of exposure in the long future position.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

<u>Strategies employing stock specific Futures</u>

Futures based on Individual stocks are available on the Indian bourses. Though these futures are based on the movement of the underlying stock, often there are mispricing of the derivatives. This gives rise to arbitrage opportunities that can be exploited by the fund. In addition, exposure to the stock through the corresponding stock futures is a cost-effective way that owning the stock directly.

(a) <u>Sell spot & buy future</u>

Assume the fund holds the stock of a company at say INR 100 while in the futures market it trades at INR 95, a discount to the spot price. The fund may sell the stock at INR 100 and buy the future at INR 95. On the date of expiry of the stock future, the fund may reverse the transactions (i.e. Buy Spot & Sell future) and earn a risk-free INR 5 on its holdings. This risk free earning is obtained even as the fund continues to hold the stock in its portfolio.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

(b) <u>Buy spot & sell future</u>

Assume a stock is trading in the spot market at INR.80 while the future trades at INR 84 in the futures market. The fund manager may buy the stock at spot and sell in the futures market thereby earning INR 4. In case of sufficient cash with the fund, this strategy may be used to enhance returns of the Scheme, instead of sitting on cash.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

(c) <u>Buy stock future</u>

In case the fund wants to initiate a long position in a stock whose spot price is say INR 150 and futures price is at INR 140, then the fund may just buy the futures contract instead of the spot, thereby benefiting from a lower cost.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

Index Options

Option contracts are of two types –

Call, having the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date.

Put, having the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date.

The price at which the shares are contracted to be purchased or sold is called the strike price.

American Options are the options that can be exercised on or before the expiration date, while European Options are those that can be exercised only on the expiration date. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

<u>Strategies using Options</u>

(a) *<u>Buying a Call Option:</u>* The fund buys a call option at the strike price of say INR100 and pays a premium of INR. 8. If on the day of the expiry, the market price of the stock is more than INR 108 the fund would earn profits. However if the market price of the stock is less than INR 100, the fund will not exercise the option while it loses the premium of INR 8.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

(b) ***<u>Buying a Put Option</u>:*** The fund buys a Put Option at a strike price of say INR 100 paying a premium of say INR 12, for a stock trading at INR 100. If the stock price goes down to INR 90, the fund can sell exercise the put option, gaining INR 10 in the process. However accounting for the premium paid, the net loss would be INR 2 (10-12), thereby protecting its downside. However if the stock moves up to INR 120, the fund will not exercise the option, thereby foregoing the premium paid.

Risks associated:

- Lack of perfect correlation of the derivatives to the underlying indices
- Risk of improper valuation of the futures price
- Execution cost may differ from the calculated cost as rates in the futures market are volatile

The above option positions can be initiated in both index based options as well as stock specific options.

The AMC retains the right to enter into such derivative transactions, on strategic basis, as may be permitted by the applicable regulations from time to time.

Other Investment Strategies will be same as mentioned in the SID of LIC MF Growth Fund.

The Board of Directors of LIC Mutual Fund Asset Management Limited and the Board of Trustees have accorded their approval for the aforesaid Changes. SEBI vide its letter Ref.: IMD/DF3/OW/P/2018/7513/1 Dt.09/03/2018 has also accorded their no objection for this Changes in the fundamental attributes of LIC MF Growth Fund.

If you agree with the proposed Changes in Fundamental Attributes, no action is required from your end. If you do not agree with the proposed Changes in Fundamental Attributes, you may exercise your right to exit from the scheme, without any applicable exit load during the prescribed exit period. . The exit option is valid for a period of 30 days to all the investors of LIC MF Growth Fund. The exit period will begin from 03/05/2018 and continue till business hours of 01/06/2018 (both days inclusive). In case of non-agreement to the proposal of the Changes in Fundamental Attributes, you may choose to redeem your units by submitting the request to the registrar at M/s. Karvy Computershare Private Limited, Unit: LIC Mutual Fund, Karvy Selenium Tower B, Plot number 31 & 32 Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500032. Redemption proceeds will be given in 10 business days on receipt of valid redemption request from the unitholders who exercises his/her option.

Unit holders who do not exercise the exit option upto 3.00 pm on 01/06/2018 would be deemed to have consented to the proposed changes.

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.

As regards the unitholders who redeem their investments during the Exit Option Period, the tax consequences as set for in the Statement of Additional Information of LIC 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.

If you need any clarification, please feel free to contact our representatives at any of the LIC MF branches across the country. You could also reach us on service@licmf.com

We are confident that you will continue your valued relationship with us.

Assuring you of our best services,

Yours faithfully,

(Raj Kumar)
Director
LIC Mutual Fund Asset Management Ltd
Encl: a/a