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 Income Plus Fund .</u>

We thank you for your investment in LIC MF Income Plus Fund.

LIC MF Income Plus Fund was launched by LIC Mutual Fund as an open ended debt scheme seeking to provide reasonable possible current income consistent with preservation of capital and providing liquidity - from investing in a diversified portfolio of short-term money market and debt securities. 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 Income Plus Fund :

Instruments	Indicative Allocation (% of total assets)	Risk Profile
Money Market	65 – 100 %	Low
Debt (Debt includes Government securitized & securitized debt for all schemes)	0 - 35%	Low

During the product review process, SEBI has advised us to review and modify the current asset allocation of LIC MF Income Plus 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 Income Plus Fund are proposed:-

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th colspan="3">Existing</th><th colspan="3">Proposed</th></tr>
<tr><td>1</td><td>Name of the Scheme</td><td colspan="3">LIC MF Income Plus Fund</td><td colspan="3">LIC MF Banking & PSU Debt Fund</td></tr>
<tr><td>2</td><td>Type of the Scheme</td><td colspan="3">An Open ended Debt Scheme.</td><td colspan="3">An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions, and Municipal Bonds.</td></tr>
<tr><td>3</td><td>Investment Objectives</td><td colspan="3">An open ended debt scheme which seeks to provide reasonable possible current income consistent with preservation of capital and providing liquidity - from investing in a diversified portfolio of short-term money market and debt securities. However, there is no assurance that the investment objective of the Schemes will be realized</td><td colspan="3">The primary investment objective of the Scheme is to seek to generate income and capital appreciation by primarily investing in a portfolio of high quality debt and money market securities that are issued by banks, public sector undertakings, public financial institutions and Municipal Bonds. There is no assurance that the investment objective of the Scheme will be realized.</td></tr>
<tr><td>4</td><td>Benchmark</td><td colspan="3">CRISIL Liquid Fund Index</td><td colspan="3">CRISIL Short Term Bond Fund Index</td></tr>
<tr><td rowspan="5">5</td><td rowspan="5">Asset Allocation</td><td>Instruments</td><td>Indicative Allocation (% of total assets)</td><td>Risk Profile</td><td>Instruments</td><td>Indicative Allocation (% of total assets)</td><td>Risk Profile</td></tr>
<tr><td>Money Market</td><td>65 – 100 %</td><td>Low</td><td>Minimum Investment in debt instruments of banks, Public sector Undertakings, Public Financial Institutions and Municipal Bonds. *</td><td>80 - 100%</td><td>Low to Medium</td></tr>
<tr><td rowspan="3">Debt (Debt includes Government securitized & securitized debt for all schemes)</td><td rowspan="3">0 - 35%</td><td rowspan="3">Low</td><td>Other debt and money market securities *</td><td>0 - 20%</td><td>Low to Medium</td></tr>
<tr><td>Units issued by REITs & InvIT *</td><td>0-10%</td><td>Medium to High</td></tr>
<tr><td colspan="3">*The Cumulative Gross Exposure to Debt, Money Market, Derivatives REITs & InviT will not exceed 100% of the Net Assets of the Scheme.
The Scheme may participate upto 10% of the AUM of the scheme in repo of corporate debt securities.

Applicable Investment Limits
a. At the Mutual Fund level:-
Not more than 10% of units issued by a single issuer of REIT and InvIT;
b. At a single Mutual Fund scheme level:
i. not more than 10% of its NAV in the units of REIT and InvIT; and
ii. not more than 5% of its NAV in the units of REIT and InvIT</td></tr>
</table>

					issued by a single issuer. The limits mentioned in sub- clauses (i) and (ii) above will not be applicable for investments in case of index fund or sector or industry specific scheme pertaining to REIT and InvIT.
6	**Scheme Investment**	The Scheme proposes to invest in a mix of fixed income securities including securitised debt, asset backed securities, corporate debentures, bonds and money market instruments with the aim of generating long term capital appreciation. The Fund proposes to continuously monitor the potential for both debt and money market 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. DEBT AND MONEY MARKETS IN INDIA: The instruments available in Indian Debt Market are classified into two categories, namely Government and Non - Government debt. The following instruments are available in these categories: A] Government Debt • Central Government Debt • Zero Coupon Bonds • Treasury Bills • State Government Debt • Dated Government Securities • State Government Loans • Coupon Bearing Bonds • Floating Rate Bonds B] Non-Government Debt • Instruments issued by Government Agencies and other Statutory Bodies • Instruments issued by Banks and Development Financial institutions • Government Guaranteed Bonds • PSU Bonds • Instruments issued by Public Sector Undertakings • Instruments issued by Corporate Bodies • Fixed Coupon Bonds • Floating Rate Bonds • Zero Coupon Bonds Certificates of Deposit • Promissory Notes • Commercial Paper • Non-Convertible Debentures • Fixed Coupon Debentures • Floating Rate Debentures • Zero Coupon Debentures Certificate of Deposit (CD): Certificate of Deposit (CD) is a negotiable money market instrument issued by scheduled commercial banks (SCBs) and select All India Financial Institutions (FIs), within their umbrella limit. The scheme introduced by RBI allows these institutions to mobilize bulk deposits from the market, which they can have at competitive rates of interest. The maturity period of CDs issued by the SCBs is between 7 days to 1 year. CDs also are issued at a discount to face value and can be traded in secondary market. Duplicate can be issued after giving a public notice & obtaining indemnity.			An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions, and Municipal Bonds. The Scheme may also invest in the following securities/instruments. • Debt issuances of the Government of India, state and local governments, government agencies, statutory bodies, development financial institutions and corporate entities. • Money market instruments including but not limited to, treasury bills, commercial paper of private sector corporate entities, reverse repurchase agreements with respect to government securities and treasury bill, CBLOs (Collateralized Borrowing and Lending Obligation), certificates of deposit of development financial institutions, government securities with unexpired maturity of one year or less and other money market securities as may be permitted by SEBI/RBI Regulations. • Units of money market/liquid schemes of LIC Mutual Fund or any other mutual fund. Such investments will be within the limits specified under SEBI (MF) Regulations. AMC shall not charge any investment management fees with respect to such investment. • The Scheme may participate in repo of corporate debt securities. • Fixed Income Derivative instruments like Exchange Traded Interest Rate Futures, Interest Rate Swaps, Forward Rate Agreements and such other derivative instruments as permitted by SEBI/ RBI • Any other like instruments as may be permitted by RBI/SEBI from time to time. The securities, could be listed, unlisted, privately placed, secured, unsecured, rated or unrated (subject to the rating or equivalency requirements discussed above) and of any maturity. The securities may be acquired through secondary market operations, primary issues/offerings, other public offers, Private Placement and negotiated deals amongst other mechanisms. Collateralized Borrowing and Lending Obligations (CBLO): Collateralized Borrowing and Lending obligations (CBLO) is a money market instrument that enables entities to borrow and lend against sovereign collateral security. The maturity ranges from 1 day to 90 days and can also be made available upto 1 year. Central Government securities including T-bills are eligible securities that can be used as collateral for borrowing through CBLO. Repos: Repo (Repurchase Agreement) or Reverse Repo is a transaction in which two parties agree to sell and purchase the same security with an agreement to purchase or sell the same security at a mutually decided future date and price. The transaction results in collateralized borrowing or lending of funds. Overview of Corporate Debt Market in India The Indian bond market comprises mainly of Government securities, bond issued by Public Sector Undertakings (PSU), Development Financial Institutions (DFI) and Infrastructure-related agencies, debentures and money market instruments issued by the corporate sectors and banks. The Indian bond market has also witnessed increased issuance of bonds from government-sponsored institutions, DFIs, and infrastructure-related agencies since 1995. These bonds are rated by credit rating agencies like CRISIL, ICRA, CARE and FITCH. They constitute reasonable amount of the trading volume on the Wholesale Debt Market platform of National Stock Exchange. They are widely held by market participants because of their liquidity and reduced risk perception due to the government stake in some of them. The Indian corporate sector has also been frequently raising capital through issuance of non-convertible debentures and commercial papers. Most of the money is raised through the "Private placement" route. These debentures are mostly rated by rating agencies. While

		Collateralized Borrowing and Lending Obligations (CBLO): Collateralized Borrowing and Lending Obligations (CBLO) is a money market instrument that enables entities to borrow and lend against sovereign collateral security. The maturity ranges from 1 day to 90 days and can also be made available up to 1 year. Central Government securities including Treasury Bills are eligible securities that can be used as collateral for borrowing through CBLO. These instruments benefit entities who have either been phased out from inter-bank call money market or have been given restricted participation in terms of ceiling on call borrowing and lending transactions and who do not have access to the call money market. Commercial Paper (CP): Commercial Paper (CP) is an unsecured negotiable money market instrument issued in the form of a promissory note, generally issued by the corporates, primary dealers and All India Financial Institutions as an alternative source of short-term borrowings. CP is traded in secondary market and can be freely bought and sold before maturity. CP can be issued for maturities between a minimum of 15 days and a maximum up to 1 year from the date of issue. Non Convertible Debentures and Bonds Non convertible debentures as well as bonds are securities issued by companies / institutions promoted / owned by the Central or State Governments and statutory bodies which may or may not carry a guarantee. Nonconvertible debentures are unsecured bonds that cannot be converted to company equity or stock. Nonconvertible debentures usually have higher interest rates than convertible debentures. These instruments may be secured or unsecured against the assets of the Company and generally issued to meet the short term and long term fund requirements. Debt Instruments Activity in the Primary and Secondary Market is dominated by Central Govt. Securities including Treasury Bills. These instruments comprise close to 60% of the all outstanding debt and more than 75% of the daily trading volume on the wholesale Debt Market Segment of the National Stock Exchange of India Limited. In the money market, activity levels of the Government and Non-Government Debt vary from time to time. Instruments that comprise a major portion of money market activity include Overnight Call, CBLO, Treasury Bills, Government Securities with a residual maturity of less than 1 year, Commercial Papers, Certificate of Deposit. Apart from these, there are some other options available for short tenure investments that include MIBOR linked debentures with periodic exit options and other such instruments. Though, not strictly classified as Money Market Instruments, PSC / DFI / Corporate Paper with a residual maturity of less than 1 year are actively traded and offer a viable investment option.	some of them trade very actively, most of them are not very liquid. Because of this, they normally trade at a marginally higher yield than bonds issued by PSU and other government-sponsored agencies. Overview of Money Market in India Money market assets comprise Treasury Bills, Cash Management Bills, Call Money, Collateralized Borrowing and Lending Obligations (CBLO), Repo, Clearcorp Repo Order Matching System (CROMS), Fixed Deposits, Commercial Papers, Certificate of Deposits, BRDS and any other assets approved by the Reserve Bank of India from time to time. Money market assets are liquid and actively traded segment of fixed income markets. • Treasury bills are issued by the Government of India through regular weekly auctions, while Cash Management Bills are issued on an ad-hoc basis. They are mostly subscribed by banks, state governments and other entities. As on 31 March 2017, total outstanding treasury bills are Rs. 332,090 crore. • Certificate of Deposits are issued by scheduled banks for their short-term funding needs. They are normally available for up to 364 days tenor. Certificate of deposits issued by public sector banks are normally rated A1+ (highest short-term rating) by various rating agencies. As on 17 Mar 2017, outstanding Certificate of Deposits are Rs.138,830 crore Certificate of deposits currently trade at a spread of around 57 basis points over comparable treasury bills as on 11 April 2017, for a one year tenor. • Commercial Papers are issued by corporate entities for their short-term cash requirements. Commercial Papers are normally rated A1+ (highest short-term rating) or A1 by various rating agencies. As on 15 March 2017, total outstanding Commercial Papers are Rs. 459,050 crore. Commercial papers trade at around 106 basis points over comparable treasury bills as on 11 April 2017, for a one year tenor. • Call Money, Repo, CBLO and CROMS are mainly used by the borrowers to borrow a large sum of money on an over-night basis. While Call Money is an unsecured mode of borrowing, CBLO, Repo and CROMS are secured borrowing backed by collaterals approved by the Clearing Corporation of India. Investments in derivatives SEBI vide its circular no. MFD/CIR/011/061 /2000 dated February 1, 2000 has permitted all the mutual funds to participate in the derivatives trading subject to observance of guidelines issued by SEBI in this behalf. Pursuant to this, the mutual funds may use various derivative and hedging 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. Derivatives are financial contracts of pre-determined fixed duration, whose values are derived from the value of an underlying primary financial instrument, commodity or index, such as interest rates, exchange rates, commodities, and equities. The fixed Income derivative market has made considerable progress in last two years. Interest rate swaps have become an integral part of Risk Management practice for most banks. Corporate Treasury have issued Innovative instruments like floating rate debt and constant maturity swaps. 1. Interest Rate Swap (IRS) Any swap is effectively an exchange of one set of cash-flows for another considered to be of equal value. If the exchange of cash flows is linked to interest rates, it becomes an interest rate swap. An interest rate swap is an agreement between two parties to exchange future payment streams based on a notional amount. Only the interest on the notional amount is swapped, and the principal amount is never exchanged. In a typical interest rate swap, one party agrees to pay a fixed rate over the term of the agreement and to receive a variable or floating rate of interest. The counterparty receives a stream of fixed rate payments at regular intervals as described in the agreement and pays the floating rate of interest. A fixed/ floating interest rate swap is characterized by: 1. Fixed interest rate; 2. Variable or floating interest rate, which is periodically reset;

			3. Notional principal amount upon which total interest payments are based; and 4. The terms of the agreement, including a schedule of interest rate reset dates, payment dates and termination date. 2. Forward Rate Agreement (FRA) An FRA is an off balance sheet agreement to pay or receive on an agreed future date, the difference between an agreed interest rate and the interest rate actually prevailing on that future date, calculated on an agreed notional principal amount. It is settled against the actual interest rate prevailing at the beginning of the period to which it relates rather than paid as a gross amount. An FRA is referred to by the beginning and end dates of the period covered. Thus a 5x8 FRA is one that covers a 3-month period beginning in 5-months and ending in 8-months. FRAs are purchased to hedge the interest rate risk; an investor facing uncertainty of the interest rate movements can fix the interest costs by purchasing an FRA. 3. Interest Rate Futures An Interest Rate Futures ('IRF') contract is "an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today." The underlying security for Interest Rate Futures is either Government Bond or T-Bill. Interest Rate Futures are Exchange traded and standardized contracts based on 6 year, 10 year and 13 year Government of India Security and 91-day Government of India Treasury Bill (91DTB). These future contracts are cash settled. These instruments can be used for hedging the underlying cash positions. With respect to investments made in derivative instruments, the Scheme shall comply with the following exposure limits in line with SEBI Circular Cir/IMD/DF/11/2010 dated August 18, 2010: 1. The cumulative gross exposure through equity, debt and derivative positions will 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 2. The total exposure related to option premium must not exceed 20% of the net assets of the Scheme. 3. The Mutual Fund shall not write options or purchase instruments with embedded written options. 4. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following: a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains. b. Hedging positions cannot be taken for existing derivative positions. c. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1 d. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged. e. 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. 5. The Mutual Fund 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. 6. 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. 7. Definition of Exposure in case of Derivative 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.

			SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/109 Dated September27, 2017. I. To reduce interest rate risk in a debt portfolio , mutual funds may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRF s). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below: $\frac{\text{(Portfolio Modified Duration * Market Value of the Portfolio)}}{\text{(Futures Modified Duration * Futures Price/PAR}}$ ii. In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging. iii. Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, upto maximum of 20% of the net assets of the scheme, subject to the following: a) Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio. b) Mutual Funds are permitted to resort to imperfect hedging, without it being considered under the gross exposure limits, if and only if, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is atleast 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Para 3 of SEBI circular dated August 18, 2010. The correlation should be calculated for a period of last 90 days. Explanation: If the fund manager intends to do imperfect hedging upto 15% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with: i. The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or ii.The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 15% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9. C) At no point of time, the net modified duration of part of the portfolio being hedged should be negative. d) The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Para 3 of SEBI circular dated August 18, 2010. iv) The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration. Explanation: In case of long term bond fund, after hedging the portfolio based on the modified duration of the portfolio, the net modified duration should not be less than the minimum modified duration of the portfolio as required to consider the fund as a long term bond fund. v) The interest rate hedging of the portfolio should be in the interest of the investors. 4. Mutual Fund schemes may imperfectly hedge their portfolio or part of their portfolio using IRFs, subject to the following conditions :

			i. Prior to commencement of imperfect hedging, existing schemes shall comply with the provisions of Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996 and all unit holders shall be given a time- period of at least 30 days to exercise the option to exit at prevailing NAV without charging of exit load. The risks associated with imperfect hedging shall be disclosed and explained by suitable numerical examples in the offer documents and also needs to be communicated to the investors through public notice or any other form of correspondence. ii. In case of new schemes, the risks associated with imperfect hedging shall be disclosed and explained by suitable numerical examples in the offer documents. Investments in repo of corporate debt securities. Guidelines for participation of mutual funds in Repo in money market and corporate debt securities. SEBI has vide circular no. CIR / IMD / DF / 19 / 2011 dated November 11, 2011 enabled mutual funds to participate in repos in corporate debt securities as per the guidelines issued by RBI from time to time and subject to few conditions listed in the circular. Accordingly, the Scheme may participate in Repo in money market and corporate debt securities in accordance with directions issued by RBI and SEBI from time to time and in accordance with guidelines framed by the Board of AMC and Trustee Company in this regard. Conditions applicable: - • The net exposure of any Mutual Fund scheme to repo transactions in money market and corporate debt securities shall not be more than 10 % of the net assets of the Scheme. • The cumulative gross exposure through repo transactions in money market and corporate debt securities along with debt and derivatives shall not exceed 100% of the net assets of the Scheme. • Mutual funds shall participate in repo transactions only in AA and above rated money market and corporate debt securities. These conditions will be subject to any revisions announced by SEBI from time to time. Other Guidelines i. Category and credit rating of counter party: 1. SEBI regulated mutual funds 2. RBI regulated Banks, Non-Banking Finance Companies, Primary Dealers 3. IRDA regulated Insurance companies 4. Corporates for whom credit limits have been assigned are eligible counterparties. These corporates should have a minimum investment grade credit rating. For new counterparties, approval from Head – Risk will be taken and an assessment will be done by the Risk & Quantitative Analysis team. ii. Tenor of collateral: <=20 years for corporate debt securities. iii. Applicable haircuts: RBI, in its circular no. IDMD.PCD. 09 /14.03.02 /2012-13 dated January 7, 2013 prescribed the following minimum haircuts on the market value of the underlying security: a. AAA rated: 7.5% b. AA+ rated: 8.5% c. AA rated: 10% The above haircuts are subject to change based on how market practice evolves with respect to corporate bond repo. Prior approval of the Investment committee shall be sought for change in the haircut from existing % to such other % as deemed fit. iii. Valuation of repo assets: At cost. The Scheme may participate upto 10% of the AUM of the scheme in repo of corporate debt securities. **Imperfect Hedging** In addition to the existing provisions of SEBI circular

			No.IMD/DF/11/2010 dated August 18, 2010, the following are prescribed under the recent circular no SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017: I. To reduce interest rate risk in a debt portfolio, mutual funds may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below: (Portfolio Modified Duration*Market Value of the Portfolio)/(Futures Modified Duration*Future Price/PAR) 2. In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging. 3. Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, upto maximum of 20% of the net assets of the scheme, subject to the following: Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio. Mutual Funds are permitted to resort to imperfect hedging, without it being considered under the gross exposure limits, if and only if, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is atleast 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Para 3 of SEBI circular dated August 18, 2010. The correlation should be calculated for a period of last 90 days. Explanation: If the fund manager intends to do imperfect hedging upto 10% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with: The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 10% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9. c) At no point of time, the net modified duration of part of the portfolio being hedged should be negative. d) The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Para 3 of SEBI circular dated August 18, 2010. 4. The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration. Explanation: In case of Medium Term fund, after hedging the portfolio based on the modified duration of the portfolio, the net modified duration should not be less than the minimum modified duration of the portfolio as required to consider the fund as a Medium Term fund. Perfect Hedging is when we take short / reverse position in same security where we have long position in cash market. Example: We have an long position in 6.68% GOI 17-09-2031 in cash and if we take short position in same security in IRF(Interest Rate Futures) that will be the perfect hedging. Imperfect hedging is when we take short/reverse position in

			similar/other security compare to our long position in cash market. Example: We have Dynamic bond portfolio consisting of various corporate bonds having maturities between 10 – 17 years with overall portfolio duration of 10 years and we take a short position in Interest Rate Futures in a 6.68% GOI 2031 (a 13yr GOI Bond) as a proxy to reduce the interest rate risk in portfolio. Here this short position would protect the portfolio against adverse interest movement however this protection would not be perfect as movement in interest rate of corporate bonds and GOI bond may not be the same.
7	**Investment Strategy**	**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. **Debt Market Derivatives:** The deregulation of interest rates has resulted in presenting an assortment of risks to market participants. To provide an effective hedge against interest rate risks on account of lending or borrowings made at fixed/variable rates of interest, RBI has allowed the use of such instruments as the Interest Rate swaps (IRS) and Forward Rate Agreements (FRAs). **IRS:** An IRS is an off balance sheet contract between two counterparties to exchange a stream of payments on specified dates based on a notional principal. Presently the most common form of IRS in the domestic market is the Overnight Index Swap (OIS), wherein a fixed rate is exchanged with the floating leg linked to the MIBOR (Mumbai Interbank offered rate/ the call money rate). The tenure of the OIS ranges from 2 to 365 days. **FRA** (forward rate agreement): A FRA is a cash settled agreement where 2 parties (the buyer and the seller) agree to exchange interest payments for a notional principal amount for a specified period on a settlement date. A FRA is quoted by the forward month in which it matures, for e.g. A 3x6 FRA is a contract maturing 6 months from now and starting 3 months from now. **RISKS:** Though these instruments are effective in removal of the interest rate risk they are still subject to 1. Counterparty risks i.e. default or delay in payment settlement, as well as 2. Market risks i.e. liquidity risk which is the ease with which a swap can be unwound or reversed, basis risk which is the risk of asset liability mismatch and price risk resulting from unexpected changes in the market value of the swap. **Risk control** The overall portfolio structuring will be aimed at controlling risk at a low level level. Both very aggressive and very defensive postures would be avoided under normal market conditions. The risk would also be	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions, and Municipal Bonds. Fixed Income research by the Investment Manager will emphasizes credit analysis, in order to determine credit risk. Credit analysis will focus on the issuer's historical and current financial condition, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical cost, strength of management, responsiveness to business conditions, credit standing, future business prospects as well as current and anticipated operating results, among other things. The Investment Manager will also analyse various economic trends in seeking to determine the likely future course of interest rates. The Investment Manager will invest only in those debt securities that are rated investment grade by a domestic credit rating agency authorised to carry out such activity, such as CRISIL, ICRA, CARE, India Ratings, etc. In-house research by the Investment Manager will emphasize on credit analysis, in order to determine credit risk. **Risk Associated with banks and PSUs :-** The risks associated with debt and money market securities issued by banks and PSUs are perceived to be lower compared to other fixed income instruments. However, these entities are unique in terms of being heavily regulated and affected by government policies, which could impact the credit profile of these issuers. **Risk associated with investments in repo of corporate debt securities** In repo transactions, also known as a repo or sale repurchase agreement, securities are sold with the seller agreeing to buy them back at later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest. A repo is economically similar to a secured loan, with the buyer receiving corporate debt securities as collateral to protect against default. The Scheme may invest in repo of corporate debt securities which are subject to the following risks: a. **Counterparty Risk:** This refers to the inability of the seller to meet the obligation to buy back securities at the contracted price. The Investment Manager will endeavour to manage counterparty risk by dealing only with counterparties having strong credit profiles assessed through in-house credit analysis or with entities regulated by SEBI/RBI/IRDA b. **Collateral Risk:** In the event of default by the repo counterparty, the scheme have recourse to the corporate debt securities. Collateral risk arises when the market value of the securities is inadequate to meet the repo obligations. This risk is mitigated by restricting participation in repo transactions only in AA and above rated money market and corporate debt securities. In addition, appropriate haircuts are applied on the market value of the underlying securities to adjust for the illiquidity and interest rate risk on the underlying instrument. **Risk Factors associated with Municipal Bonds** **Credit Risk:** If the issuer is unable to meets its financial obligations, it may fail to make scheduled interest payments and/or be unable to repay the principal upon maturity. To

		minimized through broad diversification of portfolio within the framework of the investment objectives of the scheme. **Interest Rate Future (IRF)** IRF means a standardized interest rate derivative contract traded on a recognized stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract. Currently, the underlying security for IRF would be Government Securities, or as specified by the respective stock exchanges from time to time. Currently, exchange traded Interest Rate Futures traded on exchange are standardized contracts based on 5 to 15 years Government of India Securities. IRF contracts are cash settled. IRFs gives an opportunity in the fixed income market to hedge interest rate risk or rebalance the portfolio by using them. By locking into a price, the IRF contract can help to eliminate the interest rate risk. Thus, in order to protect against a fall in the value of the portfolio due to falling bond prices, one can take short position in IRF contracts. **Risk Factors of Interest Rate Futures** • Credit Risk: This is the risk of defaults by the counterparty. This is usually negligible, as there is no exchange of principal amounts in a derivative transaction. • Market Risk: Market movements may adversely affect the pricing and settlement of derivatives. • Liquidity 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. **Investment by LIC MF Income Plus Fund in Other Schemes Managed By the AMC:** LIC MF Income Plus Fund may invest its funds with other schemes managed by LIC MF AMC subject to regulations 44(1) of the SEBI Regulations 1996 and the AMC shall not charge any investment management fee for such investments. **PORTFOLIO TURNOVER:** Generally the AMC's Fund management encourages a low portfolio turnover rate. A high portfolio turnover may result in an increase in transaction, brokerage costs. However a high portfolio turnover may also be representative of the arising trading opportunities to enhance the total return of the portfolio.	assist in the evaluation of an issuer's creditworthiness, ratings agencies (such as Moody's Investors Service and Standard & Poor's), analyze a bond issuer's ability to meet its debt obligations, and issue ratings from 'Aaa' or 'AAA' for the most creditworthy issuers to 'Ca', 'C', 'D', 'DDD', 'DD' or 'D' for those in default. Bonds rated 'BBB', 'Baa' or better are generally considered appropriate investments when capital preservation is the primary objective. To reduce investor concern, many municipal bonds are backed by insurance policies guaranteeing repayment in the event of default. **Interest-Rate Risk:** The interest rate of most municipal bonds is paid at a fixed rate. The rate does not change over the life of the bond. If interest rates in the marketplace rise, the bond you own will be paying a lower yield relative to the yield offered by newly issued bonds. **Tax-Bracket Changes:** Municipal bonds generate tax-free income and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may be better served by the higher yield available from taxable bonds. **Call Risk:** Many bonds allow the issuer to repay all or a portion of the bond prior to the maturity date. The investor's capital is returned with a premium added in exchange for the early debt retirement. While you get your entire initial investment plus some back if the bond is called, your income stream ends earlier than you were expecting it to. **Market Risk:** The underlying price of a particular bond changes in response to market conditions. When interest rates fall, newly issued bonds will pay a lower yield than existing issues, which makes the older bonds more attractive. Investors who want the higher yield may be willing to pay a premium to get it. Likewise, if interest rates rise, newly issued bonds will pay a higher yield than existing issues. Investors who buy the older issues are likely to do so only if they get them at a discount. If you buy a bond and hold it until maturity, market risk is not a factor because your principal investment will be returned in full at maturity. Should you choose to sell prior to the maturity date, your gain or loss will be dictated by market conditions, and the appropriate tax consequences for capital gains or losses will apply **Risk Associated with Imperfect Hedging** Basis Risk: The Future Rate (as defined by the future prices) moves approximately but not precisely in line with the cash market rate. An error in estimation of basis risk can lead to wrong prediction of futures closing price.
8	**Risk Factors associated with Investments in REITs and InvITS**	Not given.	**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. • **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. • **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. 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.

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 Income Plus 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 Income Plus 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