

Changes in fundamental attributes of SBI Small & Midcap Fund

Dear Investor,

We thank you for investing in SBI Small & Midcap Fund (the Scheme) of SBI Mutual Fund:

We would like to inform you that SEBI vide its Circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017 read with Circular no. SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 4, 2017, had advised to re-classify and categorise different open ended Schemes managed by AMC's in line with the categories defined in the said Circular(s) in order to ensure that different schemes launched by a Mutual Fund are clearly distinct in terms of asset allocation, investment strategy etc. In this regard, the Board of Directors of SBI Funds Management Private Limited (the AMC) & SBI Mutual Fund Trustee Company Private Limited (Trustee to the Fund) have approved the modifications in the provisions of the Scheme in line with the requirements of the said Circular(s).

In this regard, the following sections under the Scheme Information Document (SID) / Key information Memorandum (KIM), as applicable, of the Scheme will be modified as under:

Attribute/feature	Existing Features	Proposed Features																																																	
Name of the scheme	SBI Small & Midcap Fund	SBI Small Cap Fund																																																	
Type of Scheme	An open ended equity scheme	An open ended equity scheme predominantly investing in small cap stocks																																																	
Investment Objective	To generate income and long term capital appreciation by investing in a diversified portfolio of predominantly in equity and equity related securities of small & midcap Companies.	To provide investors with opportunities for long-term growth in capital along with the liquidity of an open-ended scheme by investing predominantly in a well diversified basket of equity stocks of small cap companies.																																																	
Asset Allocation	<table border="1"> <thead> <tr> <th rowspan="2">Instruments</th> <th colspan="2">Asset Allocation (% of net assets)</th> </tr> <tr> <th>Min</th> <th>Max</th> </tr> </thead> <tbody> <tr> <td>Equity and equity related Instruments</td> <td>90%</td> <td>100%</td> </tr> <tr> <td>Debt & Money Market Securities*</td> <td>0%</td> <td>10%</td> </tr> </tbody> </table> <p>* Investments in asset backed securities (securitized debt) will not exceed 10% of the net assets of the Scheme. The Scheme will not invest in foreign securitized debt</p> <p>The corpus of the Scheme will be primarily invested in Small and Midcap equity and equity related securities of the companies in the small and midcap segment. The portfolio will comprise of a maximum of 30 stocks. Allocation between the various market capitalization segments in equity instruments will be on the basis of the entire portfolio and will be subject to the allocations as mentioned below:</p> <table border="1"> <thead> <tr> <th>Market Capitalization Segment</th> <th>Minimum Allocation</th> <th>Maximum Allocation</th> </tr> </thead> <tbody> <tr> <td>Small Cap</td> <td>50%</td> <td>70%</td> </tr> <tr> <td>Midcap</td> <td>30%</td> <td>40%</td> </tr> <tr> <td>Large Cap</td> <td>0%</td> <td>20%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Large caps are defined as top 100 stocks in terms of market capitalisation Midcaps are defined as 101st stock in terms of market capitalisation to 400th stock in terms of market capitalisation Small Caps are defined as any stock beyond 401st stock in terms of market capitalisation <p>The fund will have a capacity constraint of INR 750 crores. Depending on the evolution of the equity markets and liquidity scenario, the trustee reserve the right to change the capacity.</p> <p>If the scheme decides to invest in Foreign Securities in accordance with SEBI Regulations, it is the intention of the fund manager that such investments will not normally exceed 20% of the net assets of the scheme.</p> <p>If the Scheme decides to invest in derivatives, it is the intention of the fund manager that such investments will not normally exceed 50% of the net assets of the Scheme. The cumulative gross exposure through Equity & Equity related instruments, Debt & Money Market Securities including derivative positions will not exceed 100% of the net assets of the scheme. The Scheme will enter into derivatives transactions for the purposes of hedging and portfolio rebalancing in accordance with the guidelines issued by SEBI to protect the value of the portfolio. Further, the fund manager may engage in short selling of securities in accordance with the Regulations.</p>	Instruments	Asset Allocation (% of net assets)		Min	Max	Equity and equity related Instruments	90%	100%	Debt & Money Market Securities*	0%	10%	Market Capitalization Segment	Minimum Allocation	Maximum Allocation	Small Cap	50%	70%	Midcap	30%	40%	Large Cap	0%	20%	<table border="1"> <thead> <tr> <th rowspan="2">Instrument</th> <th colspan="2">Indicative Asset Allocation</th> <th rowspan="2">Risk Profile</th> </tr> <tr> <th>Minimum</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Equity and equity related instruments of small cap*companies (including derivatives)</td> <td>65%</td> <td>100%</td> <td>High</td> </tr> <tr> <td>Other equities and equity related instruments</td> <td>0%</td> <td>35%</td> <td>High</td> </tr> <tr> <td>Units issued by REIT/InvIT^</td> <td>0%</td> <td>10%</td> <td>Medium to High</td> </tr> <tr> <td>Debt instruments (including securitized debt)</td> <td>0%</td> <td>35%</td> <td>Medium</td> </tr> <tr> <td>Money Market Instruments</td> <td>0%</td> <td>35%</td> <td>Low</td> </tr> </tbody> </table> <p>The scheme may engage in stock lending - upto 20% of the net assets of the scheme</p> <p>Exposure to derivatives instruments to the extent of 50% of the Net Assets as permitted by SEBI. The cumulative gross exposure through Equity and equity related instruments including derivative position, debt, Money Market Instruments will not exceed 100% of the net assets of the scheme</p> <p>*Small Cap means: 251st company onwards in terms of full market capitalization. The exposure will be as per limits/classification defined by AMFI/SEBI from time to time</p> <p>Other equities could include stocks other than small cap. Large Cap means: 1st -100th company in terms of full market capitalization. Mid Cap:101st to 250th company in terms of full market capitalization. The exposure will be as per limits/classification defined by AMFI/SEBI from time to time</p> <p>^The exposure will be in line with SEBI/AMFI limits specified from time to time</p> <p>The Scheme may seek investment opportunities in foreign securities including ADRs / GDRs / Foreign equity and debt securities subject to the Regulations. Such investment shall not exceed 35% of the net assets of the Scheme.</p> <p>The scheme may invest in mutual fund units as permissible.</p> <p>The Scheme may invest in repo in corporate debt</p> <p>The Investment Managers may at their discretion, alter the pattern of investment in keeping with the long term objectives of the scheme and in the interest of the investors provided such changes do not result in a change in the fundamental attributes / investment profile of the scheme and are short term changes on defensive consideration.</p> <p>There can be no assurance that the investment objective of the scheme will be realized. The scheme will also review these investments from time to time and the Fund Manager may churn the portfolio to the extent as considered beneficial to the investors.</p> <p>It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the AMC, the intention being at all times to seek to protect the interests of the Unit Holders.</p>	Instrument	Indicative Asset Allocation		Risk Profile	Minimum	Maximum	Equity and equity related instruments of small cap*companies (including derivatives)	65%	100%	High	Other equities and equity related instruments	0%	35%	High	Units issued by REIT/InvIT^	0%	10%	Medium to High	Debt instruments (including securitized debt)	0%	35%	Medium	Money Market Instruments	0%	35%	Low
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Attribute/feature	Existing Features	Proposed Features
		<p>The above investment pattern is indicative and may be changed by the Fund Manager for a short term period on defensive considerations, keeping in view market conditions, market opportunities, applicable SEBI (Mutual Funds) Regulations 1996, legislative amendments and other political and economic factors, the intention being at all times to seek to protect the interests of the Unit Holders. If the exposure falls outside the above mentioned asset allocation pattern, the portfolio to be rebalanced by AMC within 30 days from the date of said deviation.</p> <p>Above rebalancing will be subject to market conditions and in the interest of the investors. If the fund manager for any reason is not able to rebalance the asset allocation within above mentioned period, the matter would be escalated to Investment Committee for further direction. The Investment Committee shall record the reason in writing leading the reason for falling the exposure outside the asset allocation and the Committee shall review and as consider necessary may further direct the manner for rebalancing the same within the range of the asset allocation as mentioned above / further course of action required in this regard. The funds raised under the scheme shall be invested only in transferable securities as per Regulation 44(1), Schedule 7 of the SEBI (Mutual Funds) Regulations, 1996.</p> <p>There can be no assurance that the investment objective of the scheme will be achieved.</p>
Investment Strategy	<p>The primary investment strategy of the fund is to invest in the stocks of small & midcap companies. A small portion will be invested in large cap stocks and debt & money market securities. Stocks will be selected on the basis of bottom-up & top-down approach.</p> <p><u>Basis for selection of approach:</u></p> <p>The transition of the economy towards a free market/open economy, which began post the 1991 reforms, has continued largely unabated. This has been despite changing political stewardship and a volatile global macro.</p> <p>India is poised for a higher economic growth on a sustained basis given the structural factors. There is a large investment universe (over 5000 listed stocks) across various sectors offering ample opportunities for bottom up stock picking.</p> <p>The changes that offers equity investor's opportunities for active alpha generation are:</p> <ul style="list-style-type: none"> • Changes in the pattern of consumption • Rural consumption • Consumption of financial services. • Mechanism of providing government support • Asset ownership • Opportunities in outsourcing/exports • Change in ownership patters <p>A high degree of efficiency probably exists in large parts of financial markets, but we believe, it is possible to identify mispriced opportunities due to the market's structural and behavioural tendencies, some of which are elaborated below:</p> <ul style="list-style-type: none"> • Time arbitrage • Special situations • Research arbitrage. <p>These opportunities/arbitrages are recognized at each step of our investment process. Identification of market opportunities is an output of our research process. The scheme will look at following parameters to identify these opportunities:</p> <p>➤ Bottom-up</p> <p>Business Model, Management quality, Valuations and Liquidity are the important ingredients in the bottom-up stock picking process.</p> <ul style="list-style-type: none"> • Business Model: The competitive edge of the business, its position vis-à-vis competition, impact of geo political issues, impact of policy (Local and Global), the scope of business expansion. • Management Quality: Management's vision, execution ability, ability to adapt the change, corporate governance and transparency. • Valuations: Fair value of the company, Return of capital, Growth, Relative value, current premium/discount, expectations. • Liquidity: The scheme will have internal liquidity measures which will be considered by the fund manager before making a buy decision. 	<p>The scheme follows a blend of growth and value style of investing. The scheme will follow a bottom-up approach to stock-picking and choose companies within the small cap space. Small Cap means: 251st company onwards in terms of full market capitalization. The exposure will be as per limits/classification defined by AMFI/SEBI from time to time</p>

Attribute/feature	Exiting Features	Proposed Features
	<p>➤ Top Down:</p> <p>Top down views are essentially used to blend the macro understanding and analysis in bottom up stock-picking. Given the nature of economy and regulatory evolution, government policies and regulatory developments can have significant impact on certain sectors.</p> <p>Some of the domestic variables that are actively tracked to form a top down view:</p> <ul style="list-style-type: none"> • Fiscal policy • Macro indicators and industry data • Government Policies and regulatory developments • Monetary conditions and policy <p>The Top down approach helps us to effectively tilt the portfolio (Defensive, High Beta, Cyclical etc)</p> <p>The combination of the top down and bottom up approach will help the fund manager to identify market opportunities/arbitrage.</p>	

Please note that "The Board of Trustees of the AMC and the Board of Directors of the AMC, after evaluating the market conditions, may decide to limit/stop accepting fresh subscriptions in the Scheme till such time the market conditions change and can accommodate further investments in the Scheme."

APPLICABLE INVESTMENT RESTRICTIONS for REITs and InvITs :

- SBI Mutual Fund will invest in the units of REITs and InvITs subject to the following:
 - (a) SBI Mutual Fund under all its schemes shall not own more than 10% of units issued by a single issuer of REIT and InvITs; and
 - (b) SBI Small Cap Fund shall not invest –
 - i. more than 10% of its NAV in the units of REIT and InvITs; and
 - ii. more than 5% of its NAV in the units of REIT and InvITs issued by a single issuer.

RISK FACTORS ASSOCIATED WITH INVESTMENTS IN REITs AND InvITs:

Risk of lower than expected distributions: The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/InvIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate primarily based on the below, among other things:

- success and economic viability of tenants and off-takers
- economic cycles and risks inherent in the business which may negatively impact valuations, returns and profitability of portfolio assets
- force majeure events related such as earthquakes, floods etc. rendering the portfolio assets inoperable
- debt service requirements and other liabilities of the portfolio assets
- fluctuations in the working capital needs of the portfolio assets
- ability of portfolio assets to borrow funds and access capital markets
- changes in applicable laws and regulations, which may restrict the payment of dividends by portfolio assets
- amount and timing of capital expenditures on portfolio assets
- insurance policies may not provide adequate protection against various risks associated with operations of the REIT/InvIT such as fire, natural disasters, accidents
- taxation and other regulatory factors

Price-Risk: The valuation of the REIT/InvIT units may fluctuate based on economic conditions, fluctuations in markets (eg. real estate) in which the REIT/InvIT operates and the resulting impact on the value of the portfolio of assets, regulatory changes, force majeure events etc. REITs & InvITs may have volatile cash flows. As an indirect shareholder of portfolio assets, unit holders rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets

Interest-Rate Risk: Generally, there would be an inverse relationship between the interest rates and the price of units. Generally, when the interest rates rise, prices of units fall and when interest rates drop, such prices increase.

Liquidity Risk: This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be times when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.

RISK CONTROL:

The Investment Manager endeavours to invest in REITs/InvITs, where adequate due diligence and research has been performed by the Investment Manager. The Investment Manager also relies on their own research as well as third party research. This involves one-to-one meetings with the managements, attending conferences and analyst meets and also tele-conferences. The analysis will focus, amongst others, on the predictability and strength of cash flows, value of assets, capital structure, business prospects, policy environment, strength of management, responsiveness to business conditions, etc.

CHANGE IN THE FUNDAMENTAL ATTRIBUTES

The above proposed changes in Type of Scheme, Asset Allocation and Investment Objective amount to change in the fundamental attributes of the Scheme in terms of regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996. Unitholders, who are not in agreement with aforesaid changes, have the option to redeem / switch their units at applicable NAV without any exit load. The option to exit without payment of exit load is valid from **April 16, 2018 to May 15, 2018** (both days inclusive) up to 3.00 p.m. Such exit option will not be available to unitholders whose units have been pledged and the Mutual Fund has been instructed to mark a lien on such units unless the release of the pledge is obtained and appropriately communicated to the Mutual Fund / Registrar prior to applying for redemption / switch. Any redemption / switch request received **after May 15, 2018** will be subject to the prevailing load structure as applicable and will not qualify for the waiver of the exit load as mentioned above.

Existing Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) / Systematic Withdrawal Plan (SWP) / Dividend Transfer Plan (DTP) etc. in SBI Small & Midcap Fund will be processed under the Scheme on their respective due dates subsequent to aforesaid changes, in the folios where unitholders have not submitted request for cancellation of SIP / STP / SWP / DTP.

Further, we request you to update your bank account details, if there is any change in the bank account, before submitting the redemption request during the exit window.

Unitholders may note that no action is required in case they are in agreement with the aforesaid change which shall be deemed as acceptance of the same. This offer to exit or switch is merely an option and is not compulsory.

Redemption / Switch-out by the Unit holders due to aforesaid change or due to any other reasons may entail tax consequences. Unit holders are advised to consult their tax advisor for the same.

For further details, please visit www.sbimf.com or call us at our toll free number 1800 425 5425 or visit your nearest Official Point of Acceptance of SBI Mutual Fund.

We once again thank you for your investment in SBI Mutual Fund and look forward for a long term association with you

Warm regards,

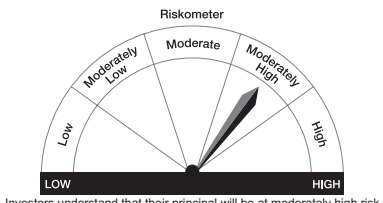
Sd/-

Anuradha Rao

Managing Director & CEO

Date : April 09, 2018

Place : Mumbai

Product labeling	
This product is suitable for investors who are seeking*:	Riskometer
<ul style="list-style-type: none"> • Long term capital appreciation • Investment in equity and equity-related securities predominantly of small cap companies 	 <p>Investors understand that their principal will be at moderately high risk</p>

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

For further details kindly contact:

Asset Management Company : SBI Funds Management Private Limited (A Joint Venture between SBI & AMUNDI) (CIN : U65990MH1992PTC065289),

Trustee : SBI Mutual Fund Trustee Company Private Limited (CIN : U65991MH2003PTC138496),

Sponsor : State Bank of India.

Registered Office - 9th Floor, Crescenzo, C- 38 & 39, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051,

Tel : 91-022-61793000 **Fax :** 91-022-67425687, **E-mail :** partnerforlife@sbimf.com • www.sbimf.com.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

BOOK - POST

If undelivered, please return to:

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Unit : SBI Mutual Fund

Rayala Towers, Tower II, 158, Anna Salai,

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