



FRANKLIN TEMPLETON

Franklin Templeton Mutual Fund
Indiabulls Finance Center, Tower 2, 12th and 13th Floor, Senapati Bapat Marg,
Elphinstone Road (West), Mumbai 400013

Addendum to the Scheme Information Document of select schemes of Franklin Templeton Mutual Fund

Franklin Templeton Mutual Fund proposes to include provisions related to creation of segregated portfolios in the Scheme Information Document (SID) of the following schemes, effective December 26, 2019:

1. Franklin India Liquid Fund
2. Franklin India Overnight Fund
3. Franklin India Floating Rate Fund
4. Franklin India Savings Fund
5. Franklin India Government Securities Fund
6. Franklin India Corporate Debt Fund
7. Franklin India Dynamic Accrual Fund
8. Franklin India Low Duration Fund
9. Franklin India Short Term Income Plan
10. Franklin India Income Opportunities Fund
11. Franklin India Ultra Short Bond Fund
12. Franklin India Credit Risk Fund
13. Franklin India Banking & PSU Debt Fund
14. Franklin India Equity Hybrid Fund
15. Franklin India Debt Hybrid Fund
16. Franklin India Pension Plan
17. Franklin India Equity Savings Fund

The detailed process followed for segregation of portfolios shall be specified in the SID and is captured below for the information of investors:

SEGREGATION OF PORTFOLIO

Definitions

- 'Segregated portfolio' shall mean a portfolio, comprising of debt or money market instruments affected by a credit event, that has been segregated in a mutual fund scheme.
- 'Main portfolio' shall mean the scheme portfolio excluding the segregated portfolio.
- 'Total portfolio' shall mean the scheme portfolio including the securities affected by the credit event. For sake of clarity, total portfolio is Main Portfolio plus Segregated Portfolio

AMC may create segregated portfolio in a mutual fund scheme subject to the following:

1. Segregated portfolio may be created, in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:
 - a. Downgrade of a debt or money market instrument to 'below investment grade', or
 - b. Subsequent downgrades of the said instruments from 'below investment grade', or
 - c. Similar such downgrades of a loan rating.
2. In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events and implemented at the ISIN level.
3. Creation of segregated portfolio shall be optional and at the discretion of the Franklin Templeton Asset Management (India) Pvt. Ltd (FTAMIL/AMC).

Creation of segregated portfolio of unrated debt or money market instruments by mutual fund schemes of an issuer that does not have any outstanding rated debt or money market instruments, subject to the following:

- a. Segregated portfolio of such unrated debt or money market instruments may be created only in case of actual default of either the interest or principal amount.
- b. Asset Management Companies are required to inform AMFI immediately about the actual default by the issuer. Upon being informed about the default, AMFI shall immediately inform the same to all AMCs. Pursuant to dissemination of information by AMFI about actual default by the issuer, FTAMIL may segregate the portfolio.

Portfolio of the scheme shall be segregated in accordance with requirements as prescribed by SEBI from time to time.

Process for creation of segregated portfolio

- 1) AMC shall decide on creation of segregated portfolio on the day of credit event/receipt of information about actual default of unrated debt or money market instruments (credit event). Once AMC decides to segregate portfolio, following process shall be followed to implement the decision to segregate portfolio:
 - i. immediately issue a press release disclosing the intention to segregate such debt and money market instrument and its impact on the investors. The mutual fund should also disclose that the segregation shall be subject to Trustee approval. Additionally, the said press release shall be prominently disclosed on the website of FTMF/ FTAMIL.
 - ii. seek approval of Board of AMC and Franklin Templeton Trustee Services Private Limited (Trustee) prior to creation of the segregated portfolio.
 - iii. ensure that till the time the AMC and Trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.
- 2) If the Trustee approval is received by FTAMIL,
 - i. Segregated portfolio shall be effective from the day of credit event
 - ii. FTAMIL shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
 - iii. An e-mail or SMS should be sent to all unit holders of the concerned scheme.
 - iv. The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
 - v. All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
 - vi. No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
- 3) If the Trustees do not approve the proposal to segregate portfolio, AMC shall issue a press release immediately informing investors of the same and the scheme shall re-open for subscription and redemption.

Valuation and processing of subscriptions and redemptions

- a. Notwithstanding the decision to segregate the debt and money market instrument, the valuation as per the methodologies mentioned in the Valuation Policy should take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.
- b. All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
 - i. Upon trustees' approval to create a segregated portfolio -
 - Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
 - Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
 - ii. In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.

Disclosures

In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:

1. A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.
2. Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.
3. The Net Asset Value (NAV) of the segregated portfolio shall be declared on daily basis.
4. The information regarding number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.
5. The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, shall be disclosed as a footnote to the scheme performance.
6. The disclosures at point 4 and 5 above regarding the segregated portfolio shall be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.
7. The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

TER for the Segregated Portfolio

- a. No investment and advisory fees on the segregated portfolio shall be charged. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.
- b. The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
- c. The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as referred in Regulation 52(6) of SEBI (Mutual Funds) Regulations, 1996 as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the FTAMIL.
- d. The costs related to segregated portfolio shall in no case be charged to the main portfolio.

Monitoring by Trustees

- a. In order to ensure timely recovery of investments of the segregated portfolio, trustees shall ensure that:
 - i. The AMC puts in sincere efforts to recover the investments of the segregated portfolio.
 - ii. Upon recovery of money, whether partial or full, it shall be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio.
 - iii. An Action Taken Report (ATR) on the efforts made by the AMC to recover the investments of the segregated portfolio is placed in every trustee meeting till the investments are fully recovered/ written-off.
 - iv. The Trustees shall monitor the compliance of SEBI requirements and disclosure in this respect shall be made in half-yearly trustee reports filed with SEBI.

In order to avoid mis-use of segregated portfolio, the Trustees have ensured to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

RISKS ASSOCIATED WITH SEGREGATED PORTFOLIO

Liquidity risk

- Investor holding units of a segregated portfolio may not able to liquidate their holding till the recovery of dues from the issuer.
- Listing of units of segregated portfolio in a recognized stock exchange does not necessarily guarantee its liquidity. There may not be active trading of units in the stock market. Further trading price of units in the stock market may be significantly lower than the prevailing NAV.

Credit risk

- Security which is part of a segregated portfolio may not realize any value.

Illustration of Segregated Portfolio

Portfolio Date	:	30-April-19
Downgrade Event Date	:	30-April-19
Downgrade Security	:	8.00% A Ltd from A- to C
Valuation Marked Down	:	50%

Portfolio on the date of credit event

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
8.00% A Ltd*	CRISIL A-	NCD	25,000	49.552	12.38
7.80% B Ltd	CRISIL AAA	NCD	25,000	101.021	25.25
7.65% C Ltd	CRISIL AAA	NCD	21,000	100.022	21.00
8.10% D Ltd	CRISIL A-	NCD	30,000	99.548	29.86
Cash & Cash Equivalent					11.50
Net Assets (in lakhs)					100.01
Unit Capital (no. of units)					10,000
NAV per unit (INR)					1000.12

Main Portfolio as on 30th April 2019

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
7.80% B Ltd	CRISIL AAA	NCD	25,000	101.021	25.25
7.65% C Ltd	CRISIL AAA	NCD	21,000	100.022	21.00
8.10% D Ltd	CRISIL A-	NCD	30,000	99.548	29.86
Cash & Cash Equivalent					11.50
Net Assets (in lakhs)					87.62
Unit Capital (no. of units)					10,000
NAV per unit (INR)					876.24

Segregated Portfolio as on 30th April 2019

Security	Rating	Type of Security	Qty	Price per Unit (INR)	Market Value (INR lakhs)
8.00% A Ltd*	CRISIL C	NCD	25,000	49.552	12.38
Net Assets (in lakhs)					12.38
Unit Capital (no. of units)					10,000
NAV per unit (INR)					123.88

* Marked down by 50% on the date of credit event. Before marked down the security was valued at INR.99.105 per unit on the date of credit event i.e on 30th April 2019, NCD of 8.00% A Ltd will be moved to a segregated portfolio.

Total Portfolio value after creation of segregated portfolio

Particulars	Main Portfolio	Segregated Portfolio	Total Value (INR lakhs)
Number of Units	10,000	10,000	-
NAV per unit	876.24	123.88	1000.12
Total Value (in INR lakhs)	87.63	12.38	100.01

The aforesaid change in scheme feature constitute change in fundamental attributes of the aforesaid Schemes. In terms of prevailing regulatory requirements, investors in the aforesaid Scheme are given an option to exit at the prevailing Net Asset Value (NAV) without any exit load, in case they do not wish to continue in said Scheme(s) in view of the change in the fundamental attributes. The period of this no load exit offer is from November 25, 2019 to December 24, 2019 (both days inclusive). The redemption request for this purpose may be submitted at any of Official Points of Acceptance of Transactions (OPAT) of Franklin Templeton Mutual Fund, and the NAV applicable will be based on the day and time the application is received at any of the designated OPAT. Unitholders who do not exercise the exit option on or before 3.00 pm on December 24, 2019 would be deemed to have consented to the proposed change.

However, the exit option without load will not be available to investments in the said Scheme(s) made on or after November 25, 2019. Unitholders who have pledged their units will need to procure a release of their pledge prior to submitting their redemption request.

The changes in scheme features have been approved by the Board of Directors of the Franklin Templeton Asset Management (India) Pvt. Ltd. (investment manager for schemes of Franklin Templeton Mutual Fund) and Franklin Templeton Trustee Services Pvt. Ltd. (the Trustee to the schemes of Franklin Templeton Mutual Fund).

All the other terms and conditions of the Scheme Information Document of the Scheme(s), read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Scheme Information Document and Key Information Memorandum issued for the Scheme(s), read with the Addenda.

This addendum is dated November 22, 2019.

For Franklin Templeton Asset Management (India) Pvt. Ltd.
(Investment Manager of Franklin Templeton Mutual Fund)

Sd/-

Sanjay Sapre
President