Franklin Templeton Mutual Fund

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Addendum to the Scheme Information Document of Franklin Asian Equity Fund

Franklin Templeton Mutual Fund proposes to change certain scheme features of Franklin Asian Equity Fund (the Scheme) effective March 9, 2024.

Given below are the changes in the features of the Scheme:

<table>
<tr><th></th><th>Current Features</th><th>Proposed Features</th></tr>
<tr>
<td>Asset Allocation**</td>
<td>Under normal market circumstances, the investment range would be as follows:
<table>
<tr><th>Instruments</th><th>Risk Profile</th><th>As % of Net Assets # (Min. – Max.)</th></tr>
<tr><td>Equities and Equity Linked instruments
- Domestic securities
- Foreign Securities@</td><td>Medium to High</td><td>80% - 100%
0% - 20%
80% - 100%</td></tr>
<tr><td>Domestic Debt securities* and Money Market Instruments</td><td>Low to Medium</td><td>0% - 20%</td></tr>
</table>
@ including investments in units/securities of overseas mutual funds/unit trusts and such other foreign securities/ instruments as may be permitted by SEBI/RBI upto the limit specified for applicable asset class in the asset allocation table above.
# exposure in derivatives up to a maximum of 50%
*including securitised debt up to 20%
The scheme would predominantly invest in Foreign Securities of Asian companies (excluding Japan) and other companies</td>
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</table>
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</tr>
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	that are benefiting from growth in Asian economies. The fund managers will follow an active investment strategy taking defensive/aggressive postures depending on opportunities available at various points in time. A maximum of 40% of net assets may be deployed in securities lending and the maximum single party exposure may be restricted to 10%^ of net assets outstanding at any point of time. ^ Presently, Securities lending and borrowing (SLB) is an Exchange traded product. Counterparty is not known for transactions carried out under SLB segment and they are guaranteed by Clearing Corporations and hence do not carry any counter party risk. Accordingly, single party exposure limit will not apply to trades on Stock Exchange platform. Single party exposure limits can only apply in case of OTC (over the counter) trades where counterparty can be identified. The scheme may enter into derivatives in line with the guidelines prescribed by SEBI from time to time. The scheme may take exposure in derivatives up to a maximum of 50% of its AUM. The exposure limit per scrip/instrument shall be to the extent permitted by the SEBI Regulation for the time being in force. These limits will be reviewed by the AMC from time to time. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially (subject to and within the maximum limits prescribed above) depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. The asset allocation pattern described above may alter from time to time on a short-term basis on defensive considerations (As per	#The Scheme may have exposure in the following: 1. Foreign Securities of Asian companies (excluding Japan) and other companies that are benefiting from growth in Asian economies. 2. Derivatives up to a maximum of 50% of net assets. Investment in derivatives including imperfect hedging using Interest Rate Futures and writing call options through covered strategy shall be in line with the guidelines prescribed by SEBI from time to time. The exposure limit per scrip/instrument shall be to the extent permitted by the SEBI Regulation for the time being in force. These limits will be reviewed by the AMC from time to time. 3. Short selling 4. Securities Lending - A maximum of 40% of net assets may be deployed in securities lending and the maximum single party exposure may be restricted to 10%^ of net assets outstanding at any point of time. ^ Presently, Securities lending and borrowing (SLB) is an Exchange traded product. Counterparty is not known for transactions carried out under SLB segment and they are guaranteed by Clearing Corporations and hence do not carry any counter party risk. Accordingly, single party exposure limit will not apply to trades on Stock Exchange platform. Single party exposure limits can only apply in case of OTC (over the counter) trades where counterparty can be identified. 5. Units of any scheme launched by a SEBI registered Mutual

	SEBI circular number SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 4, 2021), keeping in view market conditions, market opportunities, applicable regulations and political and economic factors (i.e., for reasons other than downgrade in rating) and would, in such cases, shall be rebalanced within 30 calendar days from date of deviation. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed. **Portfolio Rebalancing** In the event of deviations the portfolio will be rebalanced in line with SEBI circular number SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39 dated March 30, 2022. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period shall be 30 Business Days. Where the portfolio is not rebalanced within 30 Business Days justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee. The Investment committee shall then decide on the course of action. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period. However, at all times the portfolio will adhere to the overall investment objectives of the Scheme. All the reporting and disclosure requirements as mentioned in the SEBI circular number SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39 dated March 30, 2022 shall be complied with. This includes disclosure to investors in case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme.	Fund upto 10% of the net assets of the scheme. 6. REITs and InvITs - A maximum of 10% of net assets may be deployed in REITs and InvITs and the maximum single issuer exposure may be restricted to 5% of net assets or upto the limits permitted by SEBI from time to time. The cumulative gross exposure through equity, derivative positions, Debt and money market instruments, repo transactions and such other securities/assets as may be permitted by the Board from time to time shall not exceed 100% of the net assets of the Scheme, subject to regulatory approval, if any. The fund managers will follow an active investment strategy taking defensive/aggressive postures depending on opportunities available at various points in time. The Scheme shall not invest in Credit Default Swap transactions. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially (subject to and within the maximum limits prescribed above) depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. The asset allocation pattern described above may alter from time to time on a short-term basis on defensive considerations (As per Para 1.14.1.2.b of SEBI Master circular on Mutual Funds dated May 19, 2023), keeping in view market conditions, market opportunities, applicable regulations and political and economic factors (i.e., for reasons other than downgrade in rating) and would, in such cases, shall

		be rebalanced within 30 calendar days from date of deviation. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed. **Portfolio Rebalancing** In the event of deviations the portfolio will be rebalanced in line with Para 2.9 of SEBI Master circular on Mutual Funds dated May 19, 2023. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period shall be 30 Business Days. Where the portfolio is not rebalanced within 30 Business Days justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee. The Investment committee shall then decide on the course of action. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period. However, at all times the portfolio will adhere to the overall investment objectives of the Scheme. All the reporting and disclosure requirements as per Para 2.9 of SEBI Master circular on Mutual Funds dated May 19, 2023 shall be complied with. This includes disclosure to investors in case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme.
Benchmark Index	MSCI Asia (Ex-Japan) Standard Index	75% MSCI Asia (Ex-Japan) Standard Index + 25% Nifty 500 Index
Benchmark Justification	The fund invests in Asian companies / sectors (excluding Japan), hence MSCI Asia (ex Japan Standard Index is the ideal benchmark.	The fund invests in Asian companies / sectors (excluding Japan). Fund has increased exposure to India in the portfolio. Hence a combination of

		MSCI Asia (ex Japan Standard Index and Nifty 500 Index in the ratio as stated in the table above is an ideal benchmark.
Segregated Portfolio**	Not available	Proposed to be included. Please refer disclosure provided in Note 3.2 below.
Other Changes		
Where will the scheme invest	Subject to the SEBI Regulations and the asset allocation pattern mention above for the respective scheme, the Scheme may invest in various types of instruments including, but not limited to, any of the following: 1. Equity and Equity related instruments 2. Securities issued, guaranteed or supported by the Central Government or any state government (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills) 3. Securities issued by any domestic government agencies, quasi-government or statutory bodies, Public Sector Undertakings, which may or may not be guaranteed or supported by the Central Government or any state government 4. Domestic non-convertible securities as well as non-convertible portion of convertible securities, such as debentures, coupon bearing bonds, zero coupon bonds, deep discount bonds, Mibor-linked or other floating rate instruments, premium notes and other debt securities or obligations of public sector undertakings, banks, financial institutions, corporations, companies and other bodies corporate as may be permitted by SEBI / RBI from time to time 5. Domestic securitised debt, pass through obligations, various types of securitisation issuances such as Asset Backed Securitisation, Mortgage Backed Securitisation	Subject to the SEBI Regulations and the asset allocation pattern mention above for the respective scheme, the Scheme may invest in various types of instruments including, but not limited to, any of the following: 1. Equity and Equity related instruments 2. Securities issued, guaranteed or supported by the Central Government or any state government (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills) 3. Securities issued by any domestic government agencies, quasi-government or statutory bodies, Public Sector Undertakings, which may or may not be guaranteed or supported by the Central Government or any state government 4. Domestic non-convertible securities as well as non-convertible portion of convertible securities, such as debentures, coupon bearing bonds, zero coupon bonds, deep discount bonds, Mibor-linked or other floating rate instruments, premium notes and other debt securities or obligations of public sector undertakings, banks, financial institutions, corporations, companies and other bodies corporate as may be permitted by SEBI / RBI from time to time 5. Domestic securitised debt, pass through obligations, various types of securitisation issuances such as Asset Backed Securitisation, Mortgage Backed Securitisation

	and so on as may be permitted by SEBI from time to time. 6. Domestic Commercial Paper (CP), Certificate of Deposits (CD), Bills Rediscounting, TREPs, Repo, Reverse Repo, Treasury Bills and other Money Market Instruments as may be permitted by SEBI / RBI from time to time. 7. Derivatives 8. Deposits with domestic banks and other bodies corporate as may be permitted by SEBI from time to time 9. Any other domestic debt and money market instruments that may be available or evolve with the development of the securities markets and as may be permitted by SEBI from time to time. Further, the scheme investing in Foreign Securities may invest in various types of instruments including, but not limited to, any of the following: 1. Equity and Equity related instruments of overseas companies listed on recognised stock exchanges overseas 2. Initial and follow on public offerings for listing at recognised stock exchanges overseas 3. ADRs / GDRs issued by Indian or foreign companies 4. foreign debt securities (convertible or non-convertible) in the countries with fully convertible currencies 5. overseas short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies 6. Overseas Money market instruments rated not below investment grade 7. Overseas repos in the form of investment, where the counterparty is rated not below investment grade (repos shall not however, involve any borrowing	and so on as may be permitted by SEBI from time to time. 6. Domestic Commercial Paper (CP), Certificate of Deposits (CD), Bills Rediscounting, TREPs, Repo, Reverse Repo, Treasury Bills and other Money Market Instruments as may be permitted by SEBI / RBI from time to time. 7. Repo of corporate debt securities 8. Debt instruments having special features as described in Para 12.2 of SEBI Master Circular for Mutual funds dated May 19, 2023 9. Debt Instruments with Credit Enhancement / structured obligations 10. Tri-party repos 11. Units of any scheme launched by a SEBI registered Mutual Fund. 12. Domestic derivatives include stock futures, index futures, stock options, index options, writing of call options under a covered call strategy, Interest Rate Futures, Interest rate swaps, forward rate agreement, imperfect hedging and other derivative instruments as permitted by SEBI from time to time. 13. Deposits with domestic banks and other bodies corporate as may be permitted by SEBI from time to time 14. Any other domestic debt and money market instruments that may be available or evolve with the development of the securities markets and as may be permitted by SEBI from time to time. Further, the scheme investing in Foreign Securities may invest in various types of instruments including, but not limited to, any of the following: 15. Equity and Equity related instruments of overseas companies listed on recognised stock exchanges overseas 16. Initial and follow on public

	of funds by the Scheme) 8. Foreign government securities where the countries are rated not below investment grade 9. Overseas derivatives traded on recognized stock exchanges overseas (currently permitted only for hedging and portfolio balancing with underlying as securities) 10. Short term deposits with banks overseas where the issuer is rated not below investment grade 11. Overseas Exchange Traded Funds (ETFs) 12. units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in permitted Foreign Securities, Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or unlisted overseas securities (not exceeding 10% of their net assets). 13. Any other permitted overseas securities / instruments that may be available from time to time. Investment in Foreign Securities shall be made in accordance with the guidelines issued by SEBI and RBI from time to time. The securities mentioned above could be listed, unlisted, publicly offered, privately placed, secured, unsecured, rated or unrated and of varying maturity. The securities may be acquired through public offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.	offerings for listing at recognised stock exchanges overseas 17. ADRs / GDRs issued by Indian or foreign companies 18. Foreign debt securities (convertible or non-convertible) in the countries with fully convertible currencies 19. Overseas short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies 20. Overseas Money market instruments rated not below investment grade 21. Overseas repos in the form of investment, where the counterparty is rated not below investment grade (repos shall not however, involve any borrowing of funds by the Scheme) 22. Foreign government securities where the countries are rated not below investment grade 23. Overseas derivatives traded on recognized stock exchanges overseas (currently permitted only for hedging and portfolio balancing with underlying as securities) 24. Short term deposits with banks overseas where the issuer is rated not below investment grade 25. Overseas Exchange Traded Funds (ETFs) 26. units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in permitted Foreign Securities, Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or unlisted overseas securities (not exceeding 10% of their net assets). 27. Any other permitted overseas securities / instruments that may be available from time to time. Investment in Foreign Securities shall

		be made in accordance with the guidelines issued by SEBI and RBI from time to time. The securities mentioned above could be listed, unlisted, publicly offered, privately placed, secured, unsecured, rated or unrated and of varying maturity. The securities may be acquired through public offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.
Risk factors	Refer existing disclosure in SID under Section "Risk factors"	The following shall be added under Risk factors: • **Risks associated with Imperfect Hedging Using Interest Rate Futures:** Please refer disclosure provided in Note 3.1.1 below. • **Risks associated with writing Covered Call Options for Equity Shares:** Please refer disclosure provided in Note 3.1.2 below. • **Risks associated with participation in repo transactions in Corporate Debt Securities:** Please refer disclosure provided in Note 3.1.3 below. • **Risks associated with Investments in REITs and InvITs:** Please refer disclosure provided in Note 3.1.4 below.
Investment restrictions	Refer existing disclosure in SID under Section "Investment restrictions"	The following shall be added under Investment restrictions: Investment Restrictions on writing call options: Scheme can write Call options under a covered strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following: a) The total notional value (taking into account strike price as well as premium value) of call options

		written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme. b) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances. c) At all points of time the Scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme. d) In case the scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities. e) In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts. f) The premium received shall be within the requirements prescribed in terms of Paragraph 12.25.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023 i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme. g) The exposure on account of the call option written under the covered call strategy shall not be

		considered as exposure Paragraph 12.24.1 of SEBI Master Circular on Mutual Funds dated May 19, 2023. h) The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

**** Considered as Fundamental Attribute Change**

Notes on Additional disclosures

3.1 <u>RISK FACTORS</u>

3.1.1 Risks associated with Imperfect Hedging using Interest Rate Futures (IRF)

- **Basis risk** – While correlation between the underlying portfolio and IRF are tested, these are historical numbers and could diverge going forward. This could result in the hedge not working as desired.
- **Yield curve slope risk** – The IRF hedge is done on a modified duration basis. This means that the maturity of the underlying instrument and the maturity of the IRF could be different. The hedge ratio is arrived at using the prescribed formula. This hedges the risk arising from a parallel shift in the yield curve. Any change in the slope of the yield curve (flattening/steepening) remains unhedged as residual risk.
- **Spread risk** – The IRF is based on government securities and treasury bills. Imperfect hedging can be applied on portfolios comprised of corporate bonds as well. Corporate bond yield theoretically comprises of the risk free rate (systemic risk) and a credit spread (idiosyncratic risk). IRF would hedge out only the risk free rate. Any compression/expansion of credit spread of the underlying portfolio would not be hedged by the IRF.
- **Liquidity/execution risk** – IRF are relatively new instruments traded on the exchanges and don't have as much liquidity as the OTC market in the underlying bond. This could expose the hedge to liquidity (execution and wider bid-offer spread) risk and associated impact cost.
- **Change in benchmark bond** – IRF of government bonds are based on the liquid, on the run securities. When the underlying security is phased out for issuance by Government of India, a new bond is typically issued. IRFs are subsequently issued on the new bond and the market liquidity shifts to the new bond and away from the older bond. This would also expose the hedge to liquidity risk and impact cost to shift from the older instrument to the newer instrument.
- **Rollover risk** – IRF instruments are available upto a year in maturity, but typically the first few months are more liquid. If the holding period of the hedge exceeds the maturity of the IRF instrument's maturity, then the IRF would have to be rolled over at maturity. This could create rollover risk at maturity and associated costs.
- **Unwinding risk—** An unexpected change in market conditions may require unwinding the derivative positions at disadvantageous prices during periods of heightened volatility e.g. if the yields slide lower due to a surprise RBI rate cut,

participants with short Interest Rate Futures positions would seek to cut their losses and exit, leading to an increase in the price of the IRF, and negative price impact on the hedged portfolio there from.

- **Correlation risk** – As per the extant regulation, the IRF has to have a 0.90 correlation coefficient with the underlying bond/portfolio, for the past 90 days, to be considered for imperfect hedging. If the correlation deteriorates going forward, the hedge may have to be removed with attendant impact costs.

3.1.2 Risks associated with writing Covered Call Options for Equity Shares

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream. The Scheme may write call options under covered call strategy, as permitted by the regulations. Risks associated thereto are mentioned below:

- Opportunity cost: A covered call strategy limits the upside potential of the underlying stock. If the stock rises sharply, the gains above the call option's strike price will be missed out. When the underlying asset's price rises above the strike price, the short call loses its value as much as the underlying stock gains and as a result the upside of the stock always gets capped. Downside risk is reduced by writing covered call options.
- Exit issues / Illiquidity risk: If the strike price at which the call option contracts have been written become illiquid, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity. Also, if covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately in case where the view changes to sell and exit the stock.
- The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of scheme to utilize options strategies.

3.1.3 Risks associated with participation in repo transactions in Corporate Debt Securities

- **Counter-party risk**

  Credit risk would arise if the counter-party fails to repurchase the security as contracted or if counterparty fails to return the security or interest received on due date. To mitigate such risks, the Schemes shall carry out repo transactions with only those counterparties, which has a credit rating of 'AA- and above'. In case of lending of funds as a repo buyer, minimum haircuts on the value of the collateral security have been stipulated, and we would receive the collateral security in the Scheme's account through an exchange settled matching process. Generally, we would have a limited number of counter-parties, comprising of Mutual Funds, Scheduled Commercial banks, Financial Institutions and Primary dealers etc. Similarly, in the event of the Scheme being unable to pay back the money to the counterparty as contracted, the counter-party may dispose off the assets (as they have sufficient margin) and the net proceeds may be refunded to the Scheme. Thus, the Scheme may suffer losses in such cases.
- **Collateral Risk (as a repo buyer)**

Collateral risks arise due to fall in the value of the security (change in credit rating and/or interest rates) against which the money has been lent under the repo arrangement. To mitigate such risks, minimum haircuts have been stipulated on the value of the security. The Investment Manager may ask for a higher haircut depending upon the market conditions.

3.1.4 Risks associated with Investments in REITs and InvITs:

- **Market Risk:** REITs and InvITs Investments are volatile and subject to price fluctuations on a daily basis owing to factors impacting the underlying assets. AMC/Fund Manager's will do the necessary due diligence but actual market movements may be at variance with the anticipated trends.
- **Liquidity Risk:** As the liquidity of the investments made by the Scheme(s) could, at times, be restricted by trading volumes, settlement periods, dissolution of the trust, potential delisting of units on the exchange etc, 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.
- **Regulatory/Legal Risk:** REITs and InvITs being new asset classes, rights of unit holders such as right to information etc may differ from existing capital market asset classes under Indian Law.

3.2 The detailed process followed for segregation of portfolios 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 / the date of proposal for restructuring of debt received by AMCs (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 September
Downgrade Event Date: 30 September
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 30 September

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 30 September

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					10,000

units)					
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 30 September, 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

Some of the aforesaid changes in scheme features constitute a change in fundamental attributes of the Scheme in accordance with Regulation 18 (15A) of SEBI (Mutual Funds) Regulation, 1996. In terms of prevailing regulatory requirements, investors in the 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 this Scheme in view of the change in the fundamental attributes. The period of this no-load exit offer is from February 8, 2024 to March 8, 2024 (both days inclusive) (Exit Option period). 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 March 8, 2024 would be deemed to have consented to the proposed change.

However, the exit option without load will not be available to investments in the Scheme made on or after February 8, 2024 and redeemed during the Exit Option period. 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, 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, read with the Addenda.

This addendum is dated January 31, 2024.

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

Sd/-

Authorised Signatory

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