INVESTMENT OBJECTIVE
An open end fund of funds which seeks to provide long-term capital appreciation with relatively lower volatility through a dynamically balanced portfolio of equity and income funds.

PRESENTING FRANKLIN INDIA DYNAMIC PE RATIO FUND OF FUNDS (FIDPEF)

Over the last couple of years, we have seen stock markets reacting sharply to global events. Due to this, investors are anxious about their investments in equity markets. While there is confidence over India's prospects, typical investor concerns include – Should I invest in equities now? How can I minimize impact of volatility on equity investments? How often should I re-balance my portfolio?…etc

Investors looking to take advantage not only of the growth opportunities but also looking to reduce the impact of market volatility can consider Franklin India Dynamic PE Ratio Fund of Funds (FIDPEF). FIDPEF has a predefined monthly re-balancing mechanism that is based on PE of the Nifty. Equity component is invested in Franklin India Bluechip Fund (FIBCF) / Franklin India Prima Plus (FIPP) and debt component is invested in Franklin India Short Term Income Plan (FISTIP) / Franklin India Income Opportunities Fund (FIIOF). The fund reduces equity exposure and increases debt exposure when PE levels are high and vice-versa. The fund managers may, at their discretion, change the allocation pattern depending upon their assessment of the markets.

WHY PE?
Price to Earnings Ratio (PE) reflects the price one pays for every rupee of earnings and a high PE ratio reflects an expensive stock/market as one would be paying more for the same level of earnings and vice versa.

The rationale for choosing Nifty PE (calculated taking weighted average PE ratio of Index constituents) is because the index comprises of highly liquid stocks that are constantly monitored by the market and hence is a good barometer of market sentiment. Historically, the PE ratios of the index and the market have moved in tandem.

HOW THIS ASSET ALLOCATION STRATEGY HAS WORKED
The fund has executed its strategy diligently since inception. Historically, when markets have been high, the fund has been able to stay low on equity and when the markets have been low, the fund has taken a higher exposure to equity.
INVESTMENT STRATEGY

<table>
<thead>
<tr>
<th>If weighted average PE ratio of NSE Nifty falls in this band...</th>
<th>...the equity component will be... (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 12</td>
<td>90 - 100</td>
</tr>
<tr>
<td>12 - 16</td>
<td>70 - 90</td>
</tr>
<tr>
<td>16 - 20</td>
<td>50 - 70</td>
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<tr>
<td>20 - 24</td>
<td>30 - 50</td>
</tr>
<tr>
<td>24 - 28</td>
<td>10 - 30</td>
</tr>
<tr>
<td>Above 28</td>
<td>0 - 10</td>
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</tbody>
</table>

ASSET COMPOSITION
The weighted average PE ratio of NSE Nifty as on 30.06.2015 was 21.71. Hence, the asset allocation for the scheme in July 2015 will be...

- Fixed Income Fund 50.00%
- Equity Fund 50.00%

WHY FRANKLIN TEMPLETON?

Franklin Templeton Worldwide
- Premier global investment management organization with over 65 years of global investment experience
- Headquartered in San Mateo, California with offices in 35 countries worldwide
- Over 600 investment professionals managing nearly USD 888.4 billion in assets for over 24 million investor accounts (as of 31 May 2015)

Franklin Templeton in India
- Established office in 1996
- Extensive experience in both equity and debt across market cycles: over 20 of our funds have a performance track record of over 10 years
- Focus on local needs backed by global expertise