



**FRANKLIN  
TEMPLETON**

**FRANKLIN TEMPLETON MUTUAL FUND  
STATEMENT OF ADDITIONAL INFORMATION (SAI)**

This Statement of Additional Information (SAI) contains details of Franklin Templeton Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document).

**Asset Management Company** : Franklin Templeton Asset Management (India) Pvt. Ltd.

**Trustee Company** : Franklin Templeton Trustee Services Pvt. Ltd.

**Sponsor** : Templeton International Inc., U.S.A.

Please retain this SAI for future reference. Before investing, investors should also ascertain about any further changes in this SAI after the date of SAI from the Mutual Fund's Investor Service Centres / Website / Distributors or Brokers.

This SAI is dated June 30, 2024. (This document is updated with Addendums issued till October 24, 2024 and Investor Complaints till September 30, 2024)

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## [Annexure](#)

## Definitions/ interpretation

In this SAI, all references to “U.S.\$” or “\$” are to United States of America Dollars and “Rs.” are to Indian Rupees.

For detailed description please click the link:  
[https://www.franklintempletonindia.com/download/en-in/odd-definitions/f92ebc52-1aaa-4233-a032-1445e20b9739/Definitions\\_scheme-docs.pdf](https://www.franklintempletonindia.com/download/en-in/odd-definitions/f92ebc52-1aaa-4233-a032-1445e20b9739/Definitions_scheme-docs.pdf)

### **Scheme names along with the abbreviations used in this SAI are as follows:**

Franklin India Equity Hybrid Fund (FIEHF) Franklin India Floating Rate Fund (FIFRF), Franklin India Credit Risk Fund (FICRF), Franklin India Dynamic Asset Allocation Fund of Funds (FIDAAF), Franklin India Feeder - Franklin U.S. Opportunities Fund (FIF-FUSOF), Franklin India Government Securities Fund (FIGSF), Franklin India Corporate Debt Fund (FICDF), Franklin India Dynamic Accrual Fund (FIDA), Franklin India Income Opportunities Fund (FIIOF), Franklin India Life Stage Fund of Funds (FILSF), Franklin India Low Duration Fund (FILDF), Franklin India Debt Hybrid Fund (FIDHF), Franklin India Pension Plan (FIPEP), Franklin India Short Term Income Plan (FISTIP), Franklin India Liquid Fund (FILF), Franklin India Ultra Short Bond Fund (FIUBF), Franklin India Money Market Fund (FIMMF), Franklin Asian Equity Fund (FAEF), Franklin Build India Fund (FBIF), Franklin India Banking & PSU Debt Fund (FIBPDF), Franklin India Bluechip Fund (FIBCF), Franklin India Feeder - Templeton European Opportunities Fund (FIF-TEOF), Franklin India Equity Advantage Fund (FIEAF), Franklin India Focused Equity Fund (FIFEF), Franklin India NSE Nifty 50 Index Fund (FIIF), Franklin India Opportunities Fund (FIOF), Franklin India Prima Fund (FIPF), Franklin India Flexi Cap Fund (FIFCF), Franklin India Smaller Companies Fund (FISCF), Franklin India ELSS Tax Saver Fund (ELSS) erstwhile known as Franklin India Taxshield (FIT), Franklin India Technology Fund (FITF), Templeton India Equity Income Fund (TIEIF), Templeton India Value Fund (TIVF), Franklin India Multi-Asset Solution Fund of Funds (FIMAS), Franklin India Equity Savings Fund (FIESF), Franklin India Overnight Fund (FIONF) and Franklin India Balanced Advantage Fund (FIBAF) and Series under Franklin India Fixed Maturity Plans (FIFMP).

### **Other abbreviations used in this SAI are as follows:**

LT - Long Term Plan, ST - Short Term Plan, GP-Growth Plan, IDCW - Income Distribution cum capital withdrawal option, QIDCW - Quarterly Income Distribution cum capital withdrawal option, MIDCW - Monthly Income Distribution cum capital withdrawal option, DDCW - Daily Income Distribution cum capital withdrawal option, WIDCW - Weekly Income Distribution cum capital withdrawal option, IP-Institutional Plan, SIP-Super Institutional Plan, LP-Liquid Plan, TP-Treasury Plan.

## **I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES**

### **A. Constitution of the Mutual Fund**

Franklin Templeton Mutual Fund (Mutual Fund / FTMF) has been constituted as a Trust on January 04, 1996 in accordance with the provisions of the Indian Trusts Act, 1882 with Templeton International Inc., as the Sponsor and Franklin Templeton Trustee Services Private Limited as the Trustee. The Deed of Trust dated January 04, 1996 and the Supplemental Deeds of Trust dated March 30, 1996 and August 26, 2005 have been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on February 19, 1996 under Registration Code MF/026/96/8.

### **B. Sponsor**

Franklin Templeton Mutual Fund is sponsored by Templeton International, Inc. Templeton International Inc., is a wholly owned subsidiary of Templeton Worldwide Inc., which in turn is a wholly owned subsidiary of Legg Mason, Inc. which in turn is a wholly owned subsidiary of Franklin Resources Inc. The sponsor was responsible for setting up and establishing the Franklin Templeton Mutual Fund. The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs.1 lakh to the Trustee as the initial contribution towards the corpus of the Mutual Fund. The Trustee has appointed Franklin Templeton Asset Management (India) Private Ltd. as the Investment Manager.

The Sponsor is represented by Directors on the Board of the Trustee Company and the Asset Management Company in accordance with the SEBI Regulations. The Sponsor shall be responsible for discharging its functions and responsibilities towards the Fund in accordance with Regulations and the various constitutive documents of the Fund.

## **THE FRANKLIN TEMPLETON GROUP**

Franklin Resources, Inc. is a diversified financial services company based in San Mateo, California, USA. Through its operating subsidiaries, it provides a wide range of investment products and services to clients worldwide. Franklin Resources, Inc. along with its subsidiary entities (commonly known as Franklin Templeton) is one of the world's largest investment management companies.

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization with subsidiaries operating as Franklin Templeton and serving clients in over 155 countries. In Canada, the company's subsidiary is Franklin Templeton Investments Corp., which operates as Franklin Templeton Canada. Franklin Templeton's mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. Through its specialist investment managers, the company offers specialization on a global scale, bringing extensive capabilities in fixed income, equity, alternatives, and multi-asset solutions. With offices in more than 30 countries and approximately 1,300 investment professionals, the California-based company has over 75 years of investment experience and approximately US\$1.4 trillion in assets under management as of April 30, 2023.

## FINANCIAL PERFORMANCE OF FRANKLIN RESOURCES, INC

Particulars	30-Sep-23	30-Sep-22	30-Sep-21
Total income (US\$ million)	7,849.40	8275.3	8425.5
Profit After Tax (US\$ million)	882.80	1291.9	1,831.2
Net Worth (US\$ million)	13,573.90	13824.70	12,743.6
Equity Capital (US\$ million)	49.60	50	50.2
Earnings per Share - Diluted (US\$)	1.72	2.53	3.57
Book Value per Share (US\$)	24.03	22.97	22.37
Dividend per Share (US\$)	1.20	1.16	1.12
Ending Asset Under Management (AUM) (US\$ billion)	1,374.20	1297.4	1,530.1

## FINANCIAL PERFORMANCE OF TEMPLETON INTERNATIONAL, INC. (SPONSOR)

Particulars	30-Sep-2023	30-Sep-2022	30-Sep-2021
Net worth (Total Stockholder's Equity) (US\$)	8,24,51,04,704	7,95,24,08,111	7,748,437,721
Total income (Operating and other Revenue) (US\$)	43,91,95,939	57,64,27,806	1,595,60,412
Profit/ Loss after tax [Net Income (loss)] (US\$)	43,76,71,615	57,35,68,021	1,594,406,978
Assets Under Management (AUM)	Not Applicable		

## FRANKLIN TEMPLETON IN INDIA: A LONGTERM COMMITMENT

As part of Franklin Templeton's major thrust on investing in emerging markets around the world, Franklin Templeton has been investing in India for the past several years. These investments are based on original research and first hand understanding of the forces that influence the economic environment. Franklin Templeton has established offices at 39 cities in India.

Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL) / Nominees and Franklin Templeton Trustee Services Pvt. Ltd. (FTTSL) / Nominees had acquired 100% shares in Pioneer ITI AMC Ltd. and Pioneer ITI Mutual Fund Pvt. Ltd. respectively, in July 2002 after obtaining the approval from SEBI. Subsequently the registration certificate of Pioneer ITI Mutual Fund was surrendered to SEBI for cancellation. SEBI vide its letter dated February 17, 2003 cancelled the same.

In April 2007, Franklin Templeton Holding Ltd., Mauritius and its nominee acquired 25% of the paid up equity capital of Franklin Templeton Asset Management (India) Pvt. Ltd., the

AMC and Franklin Templeton Trustee Services Pvt. Ltd., the Trustee Company, held by Hathway Investments Ltd. and its associate, thereby acquiring 100% of the AMC's and Trustee Company's paid up capital.

**C. The Trustee**

Franklin Templeton Trustee Services Private Limited (the "Trustee"), through its Board of Directors, shall discharge its obligations to the Franklin Templeton Mutual Fund as the Trustee of the Mutual Fund. Franklin Templeton Trustee Services Private Limited is a private company limited by shares incorporated under the Companies Act, 1956 on December 19, 1995. The Registered Office of the Company is situated at One International Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and reviews the activities carried on by the AMC. The Board of Directors of Franklin Templeton Trustee Services Private Limited held nine meetings during the year 2022-23.

**Details of Trustee Directors:**

Name	Age	Educational Qualifications	Brief Experience
Alok Sethi (Associate Director)	61	CA	<p>Mr. Alok Sethi is a Chartered Accountant and is currently designated as Executive Vice President- Head - Global Operations. He is a Director of Franklin Templeton Services (India) Private Limited and is also serving as Director on the board of various Franklin Templeton group companies.</p> <p>Details of other Directorships are as under:</p> <ol style="list-style-type: none"> <li>1. Franklin Templeton Investments Poland sp. z o.o.</li> <li>2. Franklin Templeton Trustee Services Private Limited</li> <li>3. Templeton Global Advisors Limited</li> <li>4. Templeton International, Inc.</li> <li>5. Templeton Worldwide, Inc.</li> <li>6. Franklin Templeton Capital Holdings Private Limited</li> <li>7. Templeton Global Holdings Ltd.</li> <li>8. Franklin Templeton International Services (India) Pvt. Limited</li> <li>9. Franklin Templeton Services (India) Pvt. Limited</li> </ol>
Sanjaya Johri (Independent)	71	M.A, B.A Honours in Economics	Mr. Sanjaya Johri has over four decades of diverse experience in the Manufacturing Sector across various Tata companies. He retired as the

Director)			<p>Managing Director &amp; CEO of Voltas Ltd, the engineering and air-conditioning arm of the Tata Group. He thereafter served as a non-executive Director on the Boards of the Tube Investments Of India Limited, and Voltbek Home Appliances Private Limited..</p> <p>Details of other Directorships are as under</p> <ol style="list-style-type: none"> <li>1. The RD Association Private Limited</li> </ol>
Sandra Martyres (Independent Director)	70	<p>M.A. in Economics, Diploma in Business Management, Certified Associate of the Indian Institute of Bankers (CAIIB) and Certificates of Competence in Commercial French issued by Alliance Francaise de Paris and the Chambre de Commerce et Industrie -Paris.</p>	<p>Ms. Sandra Martyres has over four decades of diverse experience in the Banking Industry and has handled various roles across different functions of the Banks and retired as the Deputy CEO of Societe Generale India. She has also held directorship positions in SBI Mutual Fund, Bank One P. Ltd Mauritius, ALD Automotive Services P Ltd.</p> <p>SBI Mutual Fund, Bank One P. Ltd Mauritius, ALD Automotive Services P Ltd.</p> <p>Details of other Directorships are as under:</p> <ol style="list-style-type: none"> <li>1. Novartis India Limited</li> <li>2. HNI Office India Limited</li> <li>3. Daystar Travels Private Limited</li> </ol>
Jayant Gokhale (Independent Director)	66	<p>B. Com, L.L.B. FCA – Chartered Accountant</p>	<p>Mr. Jayant Gokhale is a Founder Partner of Gokhale &amp; Sathe Chartered Accountants and has a rich experience of over four decades as an auditor of various PSUs like RCF Ltd and companies such as IRB ID Ltd, Citi Group, State Bank of India and some large Co-op Banks. His firm is also Internal auditor of Board for Control of Cricket in India (BCCI) &amp; Mumbai Cricket Association (MCA). Mr. Gokhale is also currently a member of various committees like Merger / Amalgamation of Urban Co-op Banks (2019 to date) of RBI. . Mr. Gokhale has also been a part of Accounting Standards Board of ICAI to lay down Roadmap for Convergence of Indian AS with IFRS.</p> <p>I. . Mr. Gokhale has also been a part of Accounting Standards Board of ICAI to lay down Roadmap for Convergence of Indian AS with IFRS.</p>

			<p>Details of other Directorships are as under:</p> <ol style="list-style-type: none"> <li>1. Director in R, A. Podar College of Commerce &amp; Economics Alumni Association</li> </ol>
Shilpa Shetty (Associate Director)	47	Chartered Accountant and a Fellow Member of International Compliance Association (FICA)	<p>Ms. Shilpa Shetty is currently designated as Vice President - Global Compliance. Ms. Shetty is Head of APAC Regulatory Compliance and Compliance Automation &amp; Analytics Team. In this role, she is responsible for leading the APAC Compliance team and working with senior management on regional strategic initiatives. In addition, Ms. Shetty responsibilities include leading the upskilling and automation initiatives in Regulatory Compliance, scaling up the surveillance framework globally, and other strategic projects. She is a member of the APAC D&amp;I Council and the India D&amp;I Committee. She is based in Mumbai.</p> <p>Details of other Directorships are as under:</p> <ol style="list-style-type: none"> <li>1. Director in Franklin Templeton Services (India) Private Limited</li> </ol>

## II. Asset Management Company

Franklin Templeton Asset Management (India) Private Limited has been appointed as the Asset Management Company of the Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated January 5, 1996, executed between Franklin Templeton Trustee Services Pvt. Ltd and Franklin Templeton Asset Management (India) Pvt. Ltd., as amended by the Supplemental Investment Management Agreement dated August 26, 2005. The Investment Manager was approved by SEBI to act as the asset management company (AMC) for the Mutual Fund vide SEBI letter No. IIMARP/406/96 dated February 19, 1996.

Franklin Templeton Asset Management (India) Private Limited is a private company limited by shares incorporated under the Companies Act, 1956 on October 6, 1995. The Registered Office of the company is situated at One International Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013. The entire (100%) paid up capital of the Investment Manager is held by Franklin Templeton Holding Ltd., Mauritius and its nominees. Franklin Templeton Holding Ltd. is a wholly owned subsidiary of Franklin Templeton Capital Holdings Pvt. Ltd., Singapore, which is a wholly owned subsidiary of Templeton International Inc., USA, a wholly owned subsidiary of Templeton Worldwide Inc., USA, which in turn is a

wholly owned subsidiary of Legg Mason, Inc (USA) as a result of acquisition by Franklin Resources Inc., USA), which in turn is a wholly owned subsidiary of Franklin Resources Inc., USA.

**Details of AMC Directors:**

Name	Age	Educational Qualification	Brief Experience
Avinash Satwalekar (Associate Director)	49	M.B.A from The Wharton School at the University of Pennsylvania, United States.	Avi Satwalekar is President of Franklin Templeton Asset Management (India) Private Limited. In this capacity, he is responsible for leading Franklin Templeton's retail and institutional business in India. Previously, Mr. Satwalekar was the Country Head of Malaysia and Chief Executive Officer (CEO) of Franklin Templeton Asset Management (Malaysia) Sdn. Bhd, and was responsible for developing the retail and institutional business in Malaysia. Mr. Satwalekar was previously the CEO and CIO for Vietcombank Fund Management based in Ho Chi Minh City. He oversaw the combined business and investment activities of the group and under his leadership, Franklin Templeton was one of the first asset managers to launch an open-ended retail fund in Vietnam in 2013. Prior to his role in Vietnam, Mr. Satwalekar was a vice president, portfolio manager and research analyst for Franklin Portfolio Advisors (FPA), a division of FTPA. He was a member of the Franklin Small Cap Growth portfolio management team and was the lead manager for the private small cap accounts for FPA. Before that, Mr. Satwalekar was a vice president and research analyst for Franklin Equity Group. He specialized in research analysis of the computer software industries and IT service companies. Mr. Satwalekar continues to serves as Vice Chairman for Vietcombank Fund Management and is a board member of Franklin Templeton Asset Management (Malaysia) Sdn. Bhd. He is also member of the Board of Directors of Association of Mutual Funds in India (AMFI). Mr. Satwalekar joined Franklin Templeton in 1996 as a management trainee working on Franklin Convertible Securities Fund from March 1997 to June 1998. Prior to Franklin, he worked for DSP Merrill Lynch in the Debt Origination Group. Mr. Satwalekar received a bachelor of commerce from the University of Bombay, India and an M.B.A. in finance from The Wharton School at the University of Pennsylvania. He is a Chartered Financial Analyst (CFA) charter-holder and a member of the CFA

			<p>Institute and the CFA Society of San Francisco (CFASF)</p> <p>Details of other Directorship are as under:</p> <ol style="list-style-type: none"> <li>1. Franklin Templeton Asset Management (Malaysia) Sdn. Bhd</li> <li>2. Franklin Templeton GSC Asset Management Sdn. Bhd. (Malaysia)</li> </ol>
Sanjay Sapre (Associate Director)	54	M.B.A from Ohio University, United States	<p>Sanjay Sapre, aged 54, is Head of Direct to Consumer for Franklin Templeton Companies, LLC. In this capacity, he is responsible for leading the Direct to Consumer business for the company globally. He is based at the company's office in St. Petersburg, Florida, USA.</p> <p>Previously, Mr. Sapre was Senior Director- Sales Management of Franklin Templeton Asset Management (India) Pvt. Ltd. In this capacity, he was responsible for supporting Franklin Templeton's Retail and Institutional Business in India.</p> <p>Prior to this, Mr. Sapre was Senior Vice President, Global Transfer Agency Customer Operations and Customer Service Asia Pacific. During his tenure, he was responsible for delivery of a number of strategic technology projects including a significant system implementation for the International Transfer Agency. Prior to this, Mr. Sapre held various role in the Transfer Agency and e-business divisions of the company.</p> <p>Mr. Sapre has over 21 years of experience with Franklin Templeton.</p> <p>Prior to joining Franklin Templeton, Mr. Sapre was a Manager at Thomas Cook (India Limited). He previously worked at Pinnacle Data Systems, Inc. in Columbus, Ohio as Manager Operations.</p>
S.Jayaram (Associate Director)	57	Bachelors degree in Commerce	<p>Mr. S. Jayaram is Chief Accounting Officer - EMEA &amp; India at Franklin Templeton Services India Pvt. Ltd. In this capacity, he oversees the financial accounting of Franklin Templeton Subsidiaries in Europe, Middle East &amp; Africa and</p>

		<p>India. Prior to joining Franklin Templeton, Jayaram worked for Pricewaterhouse Coopers Private Limited in Transaction Services and at Birla Global Finance Limited as the Treasurer and Company Secretary.</p> <p>Mr. Jayaram is an Associate Cost and Management Accountant and Associate Company Secretary.</p> <p>Details of other Directorship are as under:</p> <ol style="list-style-type: none"> <li>1. Franklin Templeton Alternative Investments (India) Private Limited</li> <li>2. Franklin Templeton Services (India) Private Limited</li> </ol>
Tabassum Inamdar (Independent Director)	57	<p>Ms. Inamdar is a long-time analyst of the banking and financial sector in India and Asia. In 2019, she set up Tameel (<a href="https://tameel.in/">https://tameel.in/</a>), a research initiative focused on impact strategy research. She has published three reports deconstructing CSR in India.</p> <p>In February 2020, she was appointed as a member of Committee setup by Insurance Regulatory and Development Authority of India on Development of Concept Paper on Standalone Micro-Insurance Company.</p> <p>Prior to that, she served as an Independent Director on the board of Equitas Small Finance Bank (October 2016 to October 2021) and Zipsure (October 2018 to March 2020) - a new general insurance start-up.</p> <p>Over the past 30 years, her passion for BFSI research has been fed by enriching stints in several research houses - at Goldman Sachs where she was Managing Director (co-head, India Research and co-head, Asian financials), UBS Securities as Director (BFSI Research), Kotak Securities (Sr Equity Analyst - BFSI) and at Jardine Fleming.</p> <p>Details of other Directorship is as follows</p> <ol style="list-style-type: none"> <li>1. Pure Earth Blacksmith Institute, a US based</li> </ol>

			<p>non-profit organization</p> <ol style="list-style-type: none"> <li>2. Indifi Capital Private Limited</li> <li>3. Indifi Technologies Private Limited</li> <li>4. U GRO Capital Ltd</li> </ol>
Radhakrishnan Venkata Subramaniam (Independent Director)	69	Bachelors degree in Commerce. Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad, India and CAIIB.	<p>Mr. V. S. Radhakrishnan has worked with HSBC (1979 - 2004) in different functions and different parts of India and Hong Kong and ING Vysya Bank (2004 to 2007), where primary responsibility included handling of a large branch network, retail/rural lending and SME lending. He joined Janalakshmi Financial Services Ltd, one of the India's largest microfinance institution in 2007. He was a Vice President of Microfinance Finance Institutions Network( MFIN), an All India Industry Body and Chairman of AKMI a State Level Industry Body and retired in 2017 as MD &amp; CEO of Janalakshmi Financial Services Ltd.</p> <p>He is the Chairman of an NGO called CHeshire Disability Trust (CDT), focused on empowerment and training/ placement of the Differently Abled (PwDs).</p> <p>Mr. Radhakrishnan has also worked with Forbes Campbell &amp; Co Ltd and Jay Engineering Works Ltd in the Finance Function.</p> <p>Details of other Directorship: Nil</p>
Pradip Shah (Independent Director)	70	Bachelor of Commerce, Chartered Accountant, Cost and Management Accountant and an MBA from Harvard Business School	<p>Mr. Pradip Shah is the Chairman of BASF India, Kansai Nerolac Paints, Pfizer Ltd and Sonata Software. He is the co-founder of <a href="http://www.Grow-Trees.com">www.Grow-Trees.com</a>, a web-enabled social initiative and Universal Trustees Private Limited. He was the Founder Managing Director of CRISIL-India's first and largest credit rating agency.</p> <p>Details of other Directorship are as under:</p> <ol style="list-style-type: none"> <li>1. Ambit Private Limited</li> <li>2. BASF India Limited</li> <li>3. Bajaj Auto Limited</li> <li>4. Bajaj Holdings &amp; Investment Limited</li> <li>5. Godrej and Boyce Manufacturing Company Limited</li> <li>6. IndAsia Fund Advisors Private Limited</li> <li>7. Helios GreenTech Private Limited</li> </ol>

			8. Kansai Nerolac Paints Limited 9. KSB Limited 10. Mane Kancor Ingredients Private Limited 11. Pfizer Limited 12. Pangea EcoNetAssets Private Limited 13. Sonata Software Limited 14. Universal Trustees Private Limited
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## DUTIES AND OBLIGATIONS OF THE INVESTMENT MANAGER

Pursuant to the SEBI Regulations and the Investment Management Agreement between the Trustee and the AMC, the Investment Manager, inter alia, has the following responsibilities and duties:

- a) To develop, manage, advise in framing any new scheme or schemes of the Mutual Fund with the approval of Trustee and SEBI and to manage the funds comprising the same and for the purposes aforesaid; and to conduct negotiations and enter into agreements and contracts including buying and selling of Government securities, stocks, shares, debentures, bonds, commercial papers, instruments of all kinds in furtherance of the objects of the Mutual Fund.
- b) To act as the Investment Manager of the Mutual Fund with respect to the investment and reinvestment of the cash, securities and other properties comprising the assets of each scheme organised under the Mutual Fund with full discretionary authority in accordance with the investment objectives, investment policies and restrictions set out in the respective Scheme Information Document, the Deed of Trust and the SEBI Regulations from time to time, and for that purpose manage the acquisition, holding and disposal of the assets of the Mutual Fund and the various schemes framed there under, assume day to day investment management of the Mutual Fund and make investment decisions.
- c) To provide the Trustee or any party designated by the Trustee with: -
  - evaluation of current economic conditions;
  - evaluation of particular prospects in the securities markets;
  - investment research and advice for the assets of the Mutual Fund consistent with the provisions of the Deed of Trust and the investment policies and guidelines adopted and declared by the Trustee; and
  - any other activities as may be directed by the Trustee.
- d) To ensure that the delivery of scrips purchased is taken and that delivery is given in the case of scrips sold and that the Mutual Fund in no case engages in short selling or carry-forward transactions or badla finance, except as provided in the respective Scheme Information Document and the Regulations.
- e) To ensure that no Information Document of a Scheme, Key Information Memorandum, abridged half yearly results and annual results is issued or published without the prior approval of the Trustee.
- f) To report all investments to the Trustee and the Custodian of the Mutual Fund.
- g) To hold all assets of the Mutual Fund separate from its own assets, free and clear of all liens, claims and encumbrances of any party, except as provided in the IMA and segregate the assets under its management, scheme-wise.
- h) To submit such quarterly reports to the Trustee regarding the Investment Manager's activities as specified in the IMA as the Trustee or SEBI may prescribe from time to time.
- i) To maintain books and registers about the operation of various schemes of the Mutual Fund

under its management to ensure compliance with the SEBI Regulations, and demonstrate that such compliance by it has been achieved.

- j) To report market prices of the securities in which the Mutual Fund's assets are invested to the Trustee and Custodian(s) of the Mutual Fund, as required for the purpose of determining the NAV of the Mutual Fund.
- k) To disclose the basis of calculating the re-purchase price and NAV of the various schemes in the scheme particulars and to disclose the same to investors at such intervals as may be specified by the Trustee and SEBI.
- l) To obtain from the Custodian(s) of the Mutual Fund, from time to time, such financial reports, proxy statements and other information relating to the business and affairs of the Mutual Fund as the Investment Manager may reasonably require in order to discharge its duties and obligations as specified in the IMA, or to comply with the SEBI Regulations, or any applicable law, rules and regulations.
- m) To take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of SEBI Regulations and the Trust Deed.
- n) To provide an option of nomination to the unitholders in terms of the Regulations.
- o) The AMC shall file with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and shall also report to SEBI, as and when required by the SEBI.
- p) The AMC shall file with the trustees and SEBI detailed bio-data of all its directors along with their interest in other companies and any change in the interests of directors.
- q) The AMC shall abide by the Code of Conduct as specified in the Regulations.
- r) The AMC shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in SEBI Regulations, and shall publish the same.
- s) The AMC and the Sponsor shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.

Modifications, if any, in the rights and/or obligations and duties of the Investment Manager are on account of amendments to the Regulations and the Regulations supersede/override the provisions of the IMA, wherever the two are in conflict.

**Information on Key Personnel:**

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Avinash Satwalekar	49	President-Franklin Templeton Asset Management (India) Pvt. Ltd. (based at Mumbai)	B.com-University of Bombay MBA- The Wharton School at the University of Pennsylvania CFA	30	<p><b>Franklin Templeton Asset Management (Malaysia) Sdn. Bhd.</b> (July 2017 to March 2022)</p> <p>He was responsible for leading the firm's retail and institutional distribution efforts across Malaysia.</p> <p>Last handled Role &amp; Designation:</p> <p><b>Country Head of Malaysia and Chief Executive Officer (CEO) Vietcombank Fund Management (Franklin Templeton JV), HCMC, Vietnam</b> (May 2012 to July 2017)</p> <p>He was responsible for developing and executing the broad corporate business strategy to create a platform for foreign investors and domestic investors to access Vietnam capital</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p>markets.</p> <p>Last handled Role &amp; Designation - Chief Executive Officer &amp; Chief Investment Officer/ Lead Portfolio Manager</p>
Avnish Bhatnagar	49	VP & Regional Head - West & East	Bachelor of Commerce PGDBA (Finance)	26 years	<p><b>VP &amp; Co-Head - India Retail Sales</b> (based at Mumbai) (May 2021 till date) Responsible for Business development and drive Retail Sales across the country. <i>Prior Assignments:</i></p> <p><b>Franklin Templeton Asset Management (India) Pvt. Ltd.</b></p> <ul style="list-style-type: none"> <li>Responsible for Business development and drive Retail Sales in the region</li> </ul> <p>Last handled Role &amp; Designation -</p> <p>VP &amp; Regional Head - West &amp; East (based at Mumbai) (October 2020 to May 2021) VP &amp; Regional Head - West (October 2017 to</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p>October 2020)</p> <p>VP &amp; Regional Head - South (April 2014 to October 2012)</p> <p>VP &amp; Regional head - North (April 2009 to April 2014)</p>
Mohit Sharma	49	VP & Co Head - India Retail Sales	B.Com PGDBM (Finance)	26 years	<p><b>VP &amp; Co Head - India Retail Sales</b> (based at Delhi) Responsible for Business Development, and management of channels of distribution in the country for retail sales</p> <p><i>Prior Assignments:</i></p> <p><b>Franklin Templeton Asset Management (India) Pvt. Ltd.</b> Responsible for business development and management of channels of distribution in the Region.</p> <p>Last handled Role &amp; Designation - <b>VP &amp; Regional Head - North</b> (October 2014 till September 2020) Responsible for</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p>Business Development and management of channels of distribution in the cluster.</p> <p>Last handled Role &amp; Designation - <b>AVP &amp; Cluster head</b> - New Delhi &amp; Rajasthan (January 2009 till September 2014)</p>
Janmejay Upadhyay	48	Chief Risk Officer	Post Graduate Diploma in Business Administration (PGDBA) and Bachelor of Arts (BA)	22 years	<p><b>Chief Risk Officer</b> (based at Mumbai) He is responsible for oversight of overall risk management of the mutual fund operation including the key risks. Additionally, he is responsible for the overall governance of the RMF.</p> <p><i>Prior assignments:</i> <b>Edelweiss Wealth Management</b> (November 2010 - November 2021) Risk management for Wealth Management, NBFC, Capital Market and Investment Management business for Edelweiss Wealth</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					Management.
Swaminathan Srinivasan	47	Head of India Shareholder Services	Post Graduate in Management	23 years	<p><b>Head of India Shareholder Services</b> (based at Mumbai) (April 2012- till date) He is responsible for different roles under Transfer Agency within the Asset Management Company. He is also responsible for managing customer service and customer grievances.</p>
Saurabh Gangrade	44	Compliance Officer	B.Com., A.C.S.	22 years	<p><b>Compliance Officer</b> (based at Mumbai) He is responsible to Trustees for Compliance and Internal Audit of the Mutual Fund. He is also designated as the Compliance Officer for Portfolio Management Services of the AMC and as the Principal Officer under the Prevention of Money Laundering laws. <i>Prior assignments:</i> <b>Franklin Templeton Asset</b></p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p><b>Management (India) Private Limited</b> (December 2013 onwards): Responsible for compliances under various securities related laws and regulations.</p> <p><b>ICICI Prudential Asset Management India Limited</b> (January 2008 to December 2013): Responsible for compliances under various domestic and overseas securities regulations and handling legal and company secretarial matters. Including a stint with ICICI Securities Holdings Inc., New York from August 2011 to January 2012.</p>
Rini K Krishnan	49	Investors Relation Officer	<p>B.Tech (Civil Engineering), College of Engineering, Trivandrum (CET), University of Kerala.</p> <p>PGDBA, Xavier Institute of</p>	24 years	<p><b>Investors Relation Officer</b> (based at Chennai) She is responsible for ensuring prompt redressal of investor grievances of Franklin Templeton Mutual</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
			Management & Entrepreneurship (XIME), Bangalore.		Fund. She is also designated as the Investor Relations Officer for the Registrar and Transfer Agent activities of the AMC. <i>Prior assignments:</i> <b>HDFC Bank</b> (June 12, 2006 to September 6, 2016): She handled various roles at the organization. Last handled Role & Designation - AVP & Regional Head - TN & Kerala, ATMs - Management of the Bank's ATM operations in TN & Kerala region. Franklin Templeton Investments (September 14, 2016 till Date)
Sandeep Nair	41	Associate Director - Fund Administration and Oversight	Chartered Accountant (ACA) Bachelor of Commerce (B.Com)	19 years	<b>Associate Director - Fund Administration and Oversight</b> (based at Mumbai) He joined FTAMIL in June 2005 and in his tenure with Franklin Templeton has been responsible for different fund administration functions within

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					the Asset Management Company. His role largely involves general management of several functions within the operations department such as Fund Administration, Reporting, Cash Management and Custody for Mutual Fund and PMS activities.
Himanshu Mehta	49	Chief Information Security Officer (CISO)	Diploma in Electronics from Mumbai University, Certified Business Continuity Professional from Disaster Recovery Institute (USA) and Member of The Business Continuity Institute (United Kingdom)	28 years	<b>Chief Information Security Officer (CISO)</b> (based at Mumbai)  Having joined FTAMIL in June 2005, he has handled various roles in the organization in the areas of technology management and processes, Business Continuity Plans, IT Crisis Management, IT Disaster Recovery and Cyber Security.
Arya Sen	41	Head of Research	PGP in Management - IIM Ahmedabad BTech in Electrical Engineering -IIT	17 years	<b>Head of Research</b> (based at Mumbai) He will be responsible for managing the research team in

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
			Kharagpur		<p>addition to his prior responsibilities as lead analyst for internet &amp; auto sectors</p> <p>Franklin Templeton Asset Management (India) Pvt. Ltd. (March 1, 2021 - April 12, 2022) Lead research analyst for Internet and auto sector.</p> <p>Last handled Role &amp; Designation - Vice President, Research</p> <p><i>Prior Assignments:</i> <b>Macquarie Capital Securities India Pvt Ltd</b> (July-2020-February-2021) Lead research analyst for autos, auto ancillaries &amp; mobility services.</p> <p>Last handled Role &amp; Designation - <b>Senior Research Analyst</b></p> <p><b>Jefferies India &amp; Jefferies Singapore</b> (June-2011 to July-2020) Lead research analyst for</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					technology, autos. Also covered oil & gas stocks & other mid-caps. Last handled Role & Designation - Senior Vice President
Juzer Tambawalla	51	Director & Head-Sales Enablement (based at Mumbai)	Master's in management studies Bachelor of Science	24 years	<p>Director &amp; Head-Sales Enablement (based at Mumbai) (October 2011 till date)</p> <p>Responsible for developing and executing the businesses approach for Product development and management, Marketing, Training &amp; Development, Direct Client Engagement and Strategic Initiatives.</p> <p><i>Prior Assignments:</i>  <b>DSP Asset Management (Erstwhile DSP BlackRock Investment Managers</b>  (November 2000-September 2011)  Responsible for managing the marketing calendar on Brand,</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					Media, Communication, Digital Channel, CRM, Public Relations and Loyalty programs while directing budget towards quantified and ROI driven marketing efforts. Last handled Role & Designation - <b>Senior Vice President - Marketing &amp; Communications.</b>
Vitthal Dehadray	45	Director for Finance	B.Com. ACA	23 years	<i>Director for Finance (based at Mumbai) (May 2005 till date) Responsible for Corporate Accounting and Taxation.</i>
Padmanaban Nair	47	Head of Corporate communications	Bachelor of Business Administration from University of Madras and PGDMM (Marketing)	26 years	<b>Head of Corporate communications</b> (based at Chennai) (August 1999- till date) He is responsible for the promotion of the firm's image and corporate branding in India primarily through direct oversight of the Public Relations strategy, planning and execution.

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Mahesh Kumar C M Pillai	45	Head of Legal Department and Company Secretary	Graduate of the Chartered Governance Institute, London Company Secretaryship, ICSI, New Delhi LLB, Kerala University	22 years	<p><b>Head of Legal Department and Company Secretary</b> (based at Mumbai) (May 2013 till date) Responsible for providing legal advice to FTAMIL.</p> <p>Prior Assignments:</p> <p>IDBI Asset Management Ltd (April 2010- May 2013) Provided legal advice and ensuring compliance with all applicable laws. Last handled Role &amp; Designation - Head- Legal and Compliance Department and Company Secretary.</p>
Mikit Sheth	40	Vice President Internal Audit	Chartered Accountant, Bachelor of Commerce (B.Com)	17 years	<p><b>Vice President Internal Audit</b> (based at Mumbai) (December 2018 till date) Responsible for managing the internal audit functions of Franklin Templeton processes and controls in India and international</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p>and periodically reporting to senior management and Board of Directors on the nature and extent of the procedures performed as well as any findings or conclusions reached as a result of the audit.</p> <p><i>Prior Assignments:</i></p> <p><b>Citicorp Services India Private Limited</b> (Jan 2018 till Dec 2018)</p> <p>Responsible for leading the internal audit reviews covering the Institutional Client Operations group of Citibank in India &amp; Asia Pacific region.</p> <p>Last handled Role &amp; Designation - <b>Vice President - Global Internal Audit</b></p> <p><b>Franklin Templeton Asset Management (India) Pvt. Ltd.</b> (Dec 2008 till Jan 2018)</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					Responsible for leading and performing internal audits across Franklin Templeton, particularly in the Asia Pacific and European Regions. Last handled Role & Designation - Senior Internal Auditor.
Sivaramakrishnan S	48	Assistant Vice President and Head of AMC - Corporate Real Estate and Facilities	Bachelor of Commerce	29 years	<p><b>Assistant Vice President and Head of AMC - Corporate Real Estate and Facilities (based at Chennai)</b></p> <p>(April 2000 till date)</p> <p>Responsible for managing the office leases and facilities management of all FTAMC locations.</p>
Ajay Madalli	42	Director, Head Human Resources India	Bachelor of Engineering (Mechanical) MBA in HR	18 years	<p><b>Director, Head Human Resources India</b></p> <p>(based at Chennai) (March 2012 -Till Date)</p> <p>Responsible for providing HR advise to senior leaders in the company on a variety of people matters that are critical to the local</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					<p>business from a people perspective.</p> <p>Prior Assignments:</p> <p><b>Accenture Consulting (May 2008 - Feb 2012)</b></p> <p>Worked on Talent Management, HR Strategy, Change, training, and communication.</p> <p>Last handled Role &amp; Designation - <b>Management Consultant in Talent and Organization Performance</b></p> <p><b>Satyam Computers (currently Mahindra Satyam) (June 2006 - April 2008)</b></p> <p>Responsible for providing strategic HR support and inputs for all RFPs, RFIs, Rebadging or Rehiring related subjects received from the customer.</p> <p>Last handled Role &amp; Designation - Human Resources</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Srinath R	45	IT Manager	Bachelor of Engineering (Electrical & Electronics)	22 years	<p><b>IT Manager (based at Chennai)</b> (October 2010 till date) Responsible for managing India Digital applications, TA Back office applications and branch applications in terms of development, maintenance and support. Also, he is responsible for workforce &amp; application infrastructure management.</p>
Ankush Gadi	41	Director-Business Planning and Sales Management.	Executive Program in Leadership and Management by Indian Institute of Management Calcutta (IIM Calcutta), Awarded the Investment Foundation Program certificate by CFA institute, PGDBM (MBA) with dual specialization from N. L. Dalmia Institute of Management Studies and	19 years	<p><i>Prior assignments (Last 10 years):</i> <b>CRISIL</b> (January 2019- July 2022) Leading data &amp; analytics business, building data and analytical products, tools and models, exploring market collaborations &amp; partnerships. Last handled Role &amp; Designation - <i>Director-Data Management &amp; Analytics</i>  <b>Thomson Reuters (May 2016-December 2018)</b></p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
			Research and B.Com.		<p>Responsible to set up and run the operating rhythm to drive the data &amp; platform business, measuring ROI against set goals across financial markets for the region.</p> <p>Last handled Role &amp; Designation - <i>Head of Business Operations, South Asia</i></p> <p><b>MSCI (August 2014- April 2016)</b> Responsible for proactive and reactive product management including product support for equity&amp; FI index subscription products.</p> <p>Last handled Role &amp; Designation - Vice President-Global Product Management</p> <p>Nippon India Mutual Fund (October 2005- July 2014) Developed &amp; Implement business strategy, assess industry trends, market sizing and</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					structures, competitor Benchmarks. Also, design & Developed investment products in all major. Last handled Role & Designation - <i>Head of Corporate Planning</i>
Dronacharya Basu Thakur	47	VP & Head - Institutional Sales - India	Management of Business Finance (MBF) & M.com	21 years	<p><u>Prior assignments (Last 10 years):</u></p> <p><b>HSBC Asset Management India Pvt Ltd</b> (November 2022-March 2023) (Senior Vice President &amp; Head of Institutional Sales (North, South &amp; East India))</p> <p>Manage the institutional sales desk across the mandated territories.</p> <p><b>L&amp;T Investment Management Pvt Ltd</b> (April 2017-November 2022) (National Head Institutional Sales)</p> <p>Manage the institutional sales desk across india.</p>

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
					L&T Investment Management Pvt Ltd (November 2012- March 2017) (Zonal Head - North & East)  Sales & Distribution.
Siddhartha Bhattacharyya	49	Associate Director & Head - Business Development, Internal Sales and Direct Channel	MBA (specialisation in Marketing) from University of Pune	23	<b>Franklin Templeton Asset Management (India) Pvt. Ltd - January 2005 till date</b>
Yogik Pitti	40	Senior Manager - Equity Trading	B.COM	14.5	Trust Mutual Fund - Equity Trading - September 2023 - May 10, 2024  IDFC Mutual Fund - Equity Trading - February 2007 to November 2021

**Franklin Equity Team:**

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
<b>R Janakiraman</b>	53 Years	SVP & CIO, Emerging Market Equities - India	BE, PGDM (IIM Bangalore)	28 Years	<p><b>SVP &amp; CIO, Emerging Market Equities - India</b></p> <p>(based at Chennai)</p> <p>Prior assignments:</p> <ul style="list-style-type: none"> <li>• Investment Manager, Indian Syntans Invt Pvt. Ltd. (2000-2007). Responsible for investment analysis and managing the investments of the company.</li> <li>• Citicorp Information Tech Ltd. (Nov 1999-Feb 2000). Provided domain knowledge to CITIL's software development team.</li> <li>• Senior Executive. UTI Securities Exchange Ltd. (1997-1999). Responsible for investment research of certain industrial sectors &amp; later was part of the team responsible for equity sales function.</li> </ul>
<b>Rajasa Kakulavarpu</b>	40 Years	Vice President & Sr Research Analyst & Portfolio Manager	B.Tech. (ECE) from NIT, Jaipur and MBA from Indian Institute of Management, Ahmedabad	16 Years	<p>She is responsible for equity research support and fund management. (based at Chennai)</p> <p><i>Prior Assignments:</i></p> <ul style="list-style-type: none"> <li>• Franklin Templeton Asset Management (India) Pvt. Ltd. (Since 2016 till date):</li> </ul>

					<p>AVP/Senior Research Analyst.</p> <ul style="list-style-type: none"> <li>• Jefferies India Pvt. Ltd. (June 2011 to March 2016)</li> <li>• Credit Suisse Securities (India) Pvt. Ltd. (May 2008 to June 2011)</li> </ul>
<b>Ajay Argal</b>	55 Years	Senior Vice President & Portfolio Manager	<p>PGDM, IIM Bangalore.</p> <p>IIT Bombay, Bachelor of Technology</p>	28 Years	<p><b>Senior Vice President &amp; Portfolio Manager</b> (based at Chennai)</p> <p>He is responsible for Fund Management.</p> <p><i>Prior Assignments:</i></p> <p><b>Baring Asset Management (Asia) Ltd., Hong Kong</b></p> <p>(September 2011 to March 2019)</p> <p>Responsible for Fund Management of Baring India Fund</p> <p><b>Birla Sunlife Mutual Fund</b></p> <p>(December 2005 to August 2011)</p> <p>He was responsible for Fund Management of India Excel Fund and India Advantage Fund.</p>
<b>Venkatesh Sanjeevi</b>	42 Years	Senior Vice President & Portfolio Manager	<p>PGDM IIM-Ahmedabad</p> <p>CA</p> <p>B.Com</p>	19 Years	<p><b>Senior Vice President &amp; Portfolio Manager</b> (based at Chennai)</p> <p>He is responsible for Fund Management.</p> <p><i>Prior Assignments:</i></p> <p><b>Pictet Asset Management, London</b></p>

					<p>(April 2015- October 2021)</p> <p>Responsible for co-leading of Pictet Indian Equities fund.</p> <p><b>ICICI Prudential Asset Management, Mumbai</b></p> <p>(March 2010- February 2015)</p> <p>Responsible for managing ICICI Prudential Banking &amp; Financial Services Fund, MIP 25, and few other closed ended funds.</p>
<b>Sandeep Manam</b>	<b>38 Years</b>	AVP & Senior Research Analyst	PGDM- IIM- Ahmedabad  B.Tech (Electronics & Communication Engg.)- National Institute of Technology Calicut	<b>14 Years</b>	<p><b>AVP &amp; Senior Research Analyst</b></p> <p>(based at Chennai)</p> <p>He is responsible for researching investment opportunities in automotive and airline sectors.</p> <p><i>Prior Assignments:</i></p> <p><b>Cognizant Technology Solutions</b></p> <p><b>(April 2014- July 2015)</b></p> <p>He was supporting UBS lead analyst in covering Indian Auto, Auto component sectors. Also supported coverage of Indian Pharma companies.</p> <p><b>Shapoorji Pallonji &amp; Company Private Limited</b></p>

					<p><b>(April 2011- March 2014)</b></p> <p>He was responsible for supporting the Group's Head (Strategy) in driving strategy at the group and company level.</p>
<b>Varun Sharma</b>	<b>37 Years</b>	Vice President & Sr Research Analyst & Portfolio Manager	<p>Management from IIM - Calcutta; bachelor's in business studies from Shaheed Sukhdev College of Business Studies, University of Delhi</p>	<b>15 Years</b>	<p><b>Vice President &amp; Sr Research Analyst &amp; Portfolio Manager</b></p> <p>(based at Chennai)</p> <p>He is also responsible for providing equity research support (since September 2014).</p> <p>Prior assignments:</p> <ul style="list-style-type: none"> <li>• ICICI Securities (February 2010 - August 2014) - Equity Research Analyst responsible for equity research sector coverage.</li> <li>• Credit Analysis and Research Limited (April 2009 - February 2010) -Ratings Analyst - IPO &amp; Credit - responsible for ratings of IPO and Credit instruments.</li> </ul>
<b>Akhil Kalluri</b>	<b>37 Years</b>	Vice President & Research Analyst & Portfolio Manager	<ul style="list-style-type: none"> <li>• MBA, IIM Lucknow</li> <li>• B.Tech. (Electronics and Communications Engineering ), Andhra University</li> </ul>	<b>13 Years</b>	<p><b>Vice President &amp; Research Analyst &amp; Portfolio Manager</b></p> <p>(based at Chennai)</p> <p>He is responsible for fund management and stock research support.</p> <p><i>Prior Assignments:</i></p>

					<ul style="list-style-type: none"> <li>• <b>Credit Suisse</b>  (August 2014- November 16)  Responsible for conducting research covering Indian small &amp; midcap stocks</li> <li>• <b>ICICI Securities</b>  (June 2011- August 2014)  Responsible for conducting research covering Indian telecom, media, cement and midcap stocks.</li> </ul>
<b>Kiran Sebastian</b>	45 Years	VP/ Portfolio Manager & Senior Research Analyst	MBA, University of Oxford.  B.Tech, University of Calicut.	<b>17 Years</b>	<p><b>Vice President / Portfolio Manager &amp; Senior Research Analyst</b></p> <p>(based at Chennai)</p> <p>Responsible for fund management and equity research support (since April 2015). (based at Chennai)</p> <p><i>Prior Assignments:</i></p> <ul style="list-style-type: none"> <li>• <b>ARGA Investment Management (India) Pvt. Ltd.</b>  (August 2011- March 2015)  Responsible for researching Global Equities and generating recommendations for Portfolio Construction</li> </ul>

					<ul style="list-style-type: none"> <li>• <b>MFS international (U.K.) Ltd., London.</b></li> </ul> <p>(Nov 2007 to April 2011)</p> <p>Research Analyst covering European equities and generating recommendations for Portfolio Construction</p>
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**Fixed Income/ Debt Team:**

<b>Name</b>	<b>Age</b>	<b>Designation</b>	<b>Educational Qualification</b>	<b>Total No. of years of Experience</b>	<b>Nature of past experience including assignments held during the last 10 years</b>
Rahul Goswami	50	Chief Investment Officer & Managing Director - Fixed Income	BSc. (Mathematics), MBA (Finance)	27 years	<p>Prior assignments:</p> <ul style="list-style-type: none"> <li>• ICICI Prudential Asset Management Co. Ltd - Chief Investment Officer- Fixed Income - September 2012 to July 2023</li> <li>• Standard Chartered Bank - Head - Primary Dealer - November 2009 to September 2012.</li> <li>• ICICI Prudential Asset Management Co. Ltd - Senior Fund Manager - July 2004 to November 2009.</li> </ul> <p>Franklin Templeton Asset Management Co. (I) Pvt. Ltd - Asst. Vice President - Fixed Income -October 2002 to July 2004.</p>
Pallab Roy	48	Assistant Vice President and Portfolio Manager - Fixed	MBA (Fin.), M.Com., DBF	23	Franklin Templeton Asset Management (India) Pvt. Ltd. (June 2001 - till date). Previous roles included Bond/Money market security trading / Portfolio Management.

		Income			
Aswin Kumar Balasubramanian	38	Assistant Vice President - Fixed Income & Head of Credit Research	MBA/PGDM from IIM Lucknow and B.Tech from IIT Madras	15.5 years	<p><i>Prior Assignments (Last 10 years):</i></p> <ul style="list-style-type: none"> <li>• HSBC Mutual Fund - VP Credit Research - September 2015-December 2023</li> <li>• CRISIL Ltd - Manager, Ratings - December 2013 to September 2015</li> <li>• ICICI Bank Ltd - Manager, Risk Management - June 2011 to December 2013</li> </ul>
Chandni Gupta	39	Vice President-Portfolio Manager, Fixed Income	Bachelor's in Engineering CFA Program, CFA institute USA	18	<p><b>Prior Assignments (Last 10 years)</b></p> <p>ICICI Prudential Mutual Fund- AVP-Fund Manager, Fixed Income - October 2012-February 2024.</p>
Anuj Tagra	41	Vice President-Portfolio Manager, Fixed Income	Bachelor's in business administration - Finance Masters in Business Administration	17	<p><b>Prior Assignments (Last 10 years)</b></p> <p>ICICI Prudential Mutual Fund- AVP - Fund Manager, Fixed Income - February 2013 -February 2024.</p>

Total number of persons involved in equity research: 10

## PROCEDURE FOR INVESTING

The Portfolio Manager(s) shall be responsible for taking investment/ divestment decisions for their respective scheme(s). The Portfolio Manager(s) will take defensive/aggressive positions depending on opportunities available at various points in time. The Portfolio Manager(s) have access to various research reports, internal and/or external that may assist in the decision-making.

The AMC follows a well-documented investment process which is regularly reviewed and updated. The investment process is research oriented and comprises of qualitative/ quantitative

measures. The main aim of the investment process is to meet investment objective of respective schemes by following an active/passive investment strategy and to develop a portfolio, as per the scheme mandate. The process also aims to minimise liquidity risk in order to optimize risk adjusted return.

The rationale for each buy/sell decision shall be recorded.

The Investment committees for Equity and Debt schemes interact regularly for a review of performance, portfolio holdings, risk reports, etc. President does not play any role in the day-to-day investment decisions. Adherence to overall risk parameters is constantly monitored to ensure that the investments made by the portfolio managers are in the interest of the Unit holders.

Periodic presentations/ reports are provided to the Board of Directors of the AMC and Trustee Company to review the performance of the schemes.

### **III. Service providers**

#### **1. Custodian**

**The Hongkong and Shanghai Banking Corporation Limited (HSBC)**  
52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001

SEBI Registration Certificate No. IN/CUS/009 dated October 31, 2018.

The Custodian will keep in safe custody all the securities and other such instruments belonging to the Schemes. The Custodian will charge a fee as per the custodial service agreement. The Trustee has the right to change the Custodian, if it deems fit.

#### **2. Transfer agent**

The Board of Trustees and the AMC have appointed registrars, laid down parameters for their supervision and also have ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications within the time limit prescribed in the Regulations and have sufficient capacity to handle investor complaints.

**Computer Age Management Services Limited**  
No.10 (Old No.178), M.G.R. Salai, Nungambakkam, Chennai – 600 034

SEBI Registration Number- INR000002813 dated November 22, 2019

#### **3. Statutory auditor**

**B S R & Co. LLP**, Chartered Accountants – having its office at 14<sup>th</sup> Floor, Central B Wing and North C Wing, Nesco IT Park 4, Nesco Centre, Western Express Highway, Goregaon (East), Mumbai - 400063

The Trustee shall appoint auditors for each scheme of the Mutual Fund. Further, the Trustee has the right to change the Auditors.

#### 4. Legal counsel

There is no external legal counsel appointed by FTMF.

#### 5. Fund Accountant

**The Hongkong and Shanghai Banking Corporation Limited (HSBC)** - 52/60 Mahatma Gandhi Road, Fort, Mumbai 400 001.

#### 6. Collecting Bankers

Currently, the Mutual Fund / AMC has not appointed any collecting bankers for accepting application forms for the schemes. The application forms will be accepted at any of the Franklin Templeton Branch offices (“Investor Service Centres” / “ISC”) or Computer Age Management Services Ltd. (CAMS) (“Collection Centres”) as given at the end of the SAI.

However, the Mutual Fund / AMC may, at its discretion, appoint from time to time one or more banks as collecting bankers for accepting application forms for the scheme(s). The Mutual Fund / AMC shall ensure that the banks so appointed have been duly approved / registered to undertake such activity.

#### IV. Condensed financial information (CFI)

(for all the schemes launched by MF during the last three fiscal years (excluding redeemed schemes):

HISTORICAL PER UNIT STATISTICS	FIBAF	
	March 2023	March 2024
NAV at the beginning of the year (as on April 1)	10.00 a (GP/DP)  10.00 a (DIP GP/DP)	10.1036 (GP/DP)  10.2129 (DIP GP/DP)
Dividends*	Nil	Nil
NAV at the end of the year (as on March 31)	10.0902 (GP/DP)  10.1977  (DIP GP/DP)	12.6048 (GP/DP)  10.5923 (DIP GP/DP)

Annualised return**	0.90% ^^ / 1.98% ^^ (DIP)	15.92% / 18.02% (DIP)
Net Assets end of period (Rs. Crs.)	1070.72	1745.48
Ratio of Recurring Expenses to net assets	2.24% / 0.13% (DIP)	2.06% / 0.33% (DIP)

**Past performance may or may not be sustained in future.**

Returns given are for Growth plan/option. Returns for schemes/plans with dividend distribution are computed assuming re-investing of all payouts at ex- IDCW NAV.

@ - Returns for periods] greater than one year are on compounded annualised basis; a - Inception/Allotment date NAV; ^^ Annualised; DIP - Direct Plan; GP - Growth Plan; DP - IDCW Plan;

Effective April 2020, the payout shall be subject to tax deducted at source i.e. TDS, as applicable

The above information is presented scheme wise for all schemes launched by the mutual fund during the last three fiscal years (excluding redeemed schemes). For schemes/plans launched during the year the returns are from inception date.

**V. RISK FACTORS**

**1. Standard Risk Factors**

**a. Standard Risk Factors for investments in Mutual Fund**

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down.
- Past performance of the sponsors / the asset management company / mutual fund does not indicate or guarantee the future performance of the scheme of the mutual fund.
- There is no assurance or guarantee that the objective of the mutual fund will be achieved.
- The name of the scheme(s) do not in any manner indicate either the quality of the scheme or its future prospects and returns.
- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of Rs.1 lakh made by it towards setting up the Fund.
- Investors in the Scheme(s) are not being offered any guaranteed / assured returns.

- There is no guarantee or assurance on the frequency or quantum of Income Distribution cum capital withdrawal (which shall be at the discretion of the AMC/Trustee and also depend on the availability of adequate distributable surplus) although there is every intention to declare the same in respective IDCW Plan.

**b. Risk factors of not maintaining average AUM of Rs. 20 crore on half yearly rolling basis (Applicable only for open ended debt oriented schemes)**

- Open-ended Debt Oriented Scheme(s) shall maintain an average AUM of Rs. 20 crore on half yearly rolling basis. In case, the average AUM falls below Rs. 20 crore, the AMC shall scale up the AUM of such Scheme within a period of six months so as to maintain the average AUM of Rs. 20 crore on half yearly rolling basis, failing which the Scheme shall be wound up in accordance with Para 6.12.2.2 of SEBI Master Circular on Mutual Funds dated May 19, 2023.

**c. Risks associated with different derivative strategies**

- The Schemes may use various derivative products as permitted by the Regulations. Use of derivatives requires an understanding of not only the underlying instrument but also of the derivative itself. Other risks include the risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- The Fund may use derivatives instruments like Interest Rate Swaps, Forward Rate Agreements or other derivative instruments for the purpose of hedging and portfolio balancing, as permitted under the Regulations and guidelines. Usage of derivatives will expose the Schemes to certain risks inherent to such derivatives.
- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.
- Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value. The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments.
- The specific risk factors arising out of a derivative strategy used by the Fund Manager may be as below:
  - Lack of opportunity available in the market.
  - The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
  - Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place.
  - Basis Risk: This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying asset being hedged.

- Exchanges could raise the initial margin, variation margin or other forms of margin on derivative contracts, impose one sided margin or insist that margins be placed in cash. All of these might force positions to be unwound at a loss and might materially impact returns.

- Risk Factors with respect To Imperfect Hedging Using Interest Rate

An Interest Rate Futures is an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today. Interest Rate Futures are Exchange traded. These future contracts are cash settled.

- Perfect Hedging means hedging the underlying using IRF contract of same underlying.
- Imperfect hedging means the underlying being hedged and the IRF contract has correlation of closing prices of more than 90%.

In case of imperfect hedging, the portfolio can be a mix of:

- Corporate Bonds and Government securities or
- Only Corporate debt securities or
- Only government securities with different maturities

- Risk associated with imperfect hedging includes:

- Basis Risk: The risk arises when the price movements in derivative instrument used to hedge the underlying assets does not match the price movements of the underlying assets being hedged. Such difference may potentially amplify the gains or losses, thus adding risk to the position.
- Price Risk: The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates, and indices.
- Risk of mismatch between the instruments: The risk arises if there is a mismatch between the prices movements in derivative instrument used to hedge, compared to the price movement of the underlying assets being hedged. For example, when IRF which has government security as underlying is used, to hedge a portfolio that contains corporate debt securities.
- Correlation weakening and consequent risk of regulatory breach: SEBI Regulation mandates minimum correlation criterion of 0.9 (calculated on a 90-day basis) between the portfolio being hedged and the derivative instrument used for hedging. In cases where the correlation falls below 0.9, a rebalancing period of 5 working days has been permitted. Inability to satisfy this requirement to restore the correlation level to the stipulated level, within the stipulated period, due to difficulties in rebalancing would lead to a lapse of the exemption in gross exposure computation. The entire derivative exposure would then need to be included in gross exposure, which may result in gross exposure in excess of 100% of net asset value.

**d. Other risk factors (viz. Swing pricing, investment in CDMDF, LRM etc.)**

- 1. Swing Pricing** - Swing pricing refers to a process for adjusting a scheme's Net Asset Value (NAV) to effectively pass on transaction costs stemming from significant net capital activity (i.e., flows into or out of the fund) to the investors associated with that activity. It is aimed at reducing the impact of large redemptions on existing investors by reducing dilution of the value of a fund's units.
- 2. Investment In Corporate Debt Market Development Fund (CDMDF)**

In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors i.e. Specified Debt-oriented schemes (i.e. Open-ended Debt oriented Mutual Fund schemes excluding Overnight funds, Gilt fund, Gilt Fund with 10-year constant maturity, Index funds, ETFs and including Conservative Hybrid funds of FTMF (hereinafter referred to as 'Specified Schemes')) and sell as markets recover.

The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus, this backstop facility will help fund managers of the Scheme to generate better liquidity during market dislocation to help the schemes fulfil liquidity obligations under stress situation.

**3. Liquidity Risk Management**

In accordance with SEBI circular and AMFI guidelines (issued from time to time), FTMF has put in place the Liquidity Risk Management Framework which monitors the liquidity risk for open ended debt schemes (OED).

Below is the synopsis through which FTMF monitors and manage the liquidity risk for open ended debt schemes:

<b>Liquidity Management tool</b>	<b>Description</b>
<b>Potential Risk Class Matrix and Risk-o-meter</b>	<p>The Potential Risk Class (PRC) matrix of the scheme is defined. The same is being monitored on a regular basis. Any change in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996.</p> <p>Risk-o-meter of the scheme is also reviewed on a monthly basis and latest risk-o-meter is published on website.</p> <p>latest risk-o-meter is published on website.</p>
<b>Liquidity Risk Management</b>	<p>All potential Liquidity Risk scenarios arising from the liability side is measured upto 99% confidence interval. The remedial measures are available for both for managing this risk on an ongoing basis (LRaR &amp; LCRaR) as well as action plan in case there is a difference between actual outcome and projected outcome.</p>

<b>Stress Testing</b>	The stress test is carried out on a monthly basis and if the market conditions require so, AMC may conduct more frequent stress test. This addresses the asset side risk from an Interest Rate, Credit and Liquidity Risk perspective at an aggregate portfolio level in terms of its impact on NAV of the scheme.
<b>Asset liability mismatch (ALM)</b>	ALM requirement is monitored in accordance with Para 4.1 of SEBI Master Circular on Mutual Funds date May 19, 2023 which addresses potential Liquidity requirement over a 90-day period and required relevant asset side liquidity to be maintained.
<b>Swing Pricing Framework</b>	In case of severe liquidity stress on account of dysfunction at market level, the Swing Pricing guidelines get triggered which offers the contingency plan in case all else fails. The swing pricing framework will be made applicable only for scenarios related to net outflows from the schemes.

#### 4. Risks associated with investments in Gilt Securities

Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in prices is a function of the existing coupon, days to maturity and the increase or decrease in interest rates. Price risk is not unique to government securities but is true for all fixed income securities. The default risk however, in respect of Government securities is zero. Therefore, their prices are influenced only by movement in interest rates in the financial system. On the other hand, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced by credit standing of the issuer as well as the general level of interest rates.

Even though the Government securities market is more liquid compared to other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through.

#### 5. Risks associated with Repo in Corporate Debt

- **Lending transactions:** The scheme may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase agreement. However in repo lending transactions, the collateral may be sold and a loss is realized only if the sale price is less than the repo amount. The risk may be further mitigated through overcollateralization (the value of the collateral being more than the repo amount). Further, the liquidation of underlying securities in case of counterparty default would depend on liquidity of the securities and market conditions at that time. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation and over-collateralization to cushion the impact of market risk on sale of underlying security.
- **Borrowing transactions:** In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin). This risk is normally mitigated by better cash flow planning to take care of such repayments. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to

mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

## **6. Risk factors associated with Securities Lending**

As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure can result in the possible loss of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The scheme may not be able to sell lent out securities, which can lead to temporary illiquidity & loss of opportunity.

## **7. Risk factors associated with investments in Perpetual Debt Instrument (PDI)**

Perpetual Debt instruments are issued by Banks, non-banking financial institutions (NBFCs) and corporates to improve their capital profile. Some of the PDIs issued by Banks which are governed by the Reserve Bank of India (RBI) guidelines for Basel III Capital Regulations are referred to as Additional Tier I (AT1 bonds). While there are no regulatory guidelines for issuance of PDIs by corporate bodies, NBFCs issue these bonds as per guidelines issued by RBI. The instruments are treated as perpetual in nature as there is no fixed maturity date. The key risks associated with these instruments are highlighted below:

- Risk on coupon servicing:
  - Banks: As per the terms of the instruments, Banks may have discretion at all times to cancel distributions/payment of coupons
  - NBFCs: While NBFCs may have discretion at all times to cancel payment of coupon, coupon may also be deferred (instead of being cancelled), in case paying the coupon leads to breach of capital ratios.
  - Corporates: Corporates usually have discretion to defer the payment of coupon. However, the coupon is usually cumulative and any deferred coupon shall accrue interest at the original coupon rate of the PDI
- Risk of write-down or conversion into equity
  - Banks: As per the regulatory requirements, Banks have to maintain a minimum Common Equity Tier-1 (CET-1) ratio of Risk Weighted Assets (RWAs), failing which the AT-1 bonds can get written down. Further, AT-1 Bonds are liable to be written down or converted to common equity, at the discretion of RBI, in the event of Point of Non Viability Trigger (PONV). PONV is a point, determined by RBI, when a bank is deemed to have become non-viable unless there is a write off/conversion to equity of AT-1 Bonds or a public sector capital injection happens. The write off/conversion has to occur prior to public sector injection of capital. This risk is not applicable in case of NBFCs and Corporates.

- Risk of instrument not being called by the Issuer
  - Banks: The issuing banks have an option to call back the instrument after minimum period as per the regulatory requirement from the date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the bank does not exercise the call on first call date, the Scheme may have to hold the instruments for a period beyond the first call exercise date.
  - NBFCs: The NBFC issuer has an option to call back the instrument after minimum period as per the regulatory requirement from date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the NBFC does not exercise the call option the Scheme may have to hold the instruments for a period beyond the first call exercise date.
  - Corporates: There is no minimum period for call date. However, if the corporate does not exercise the call option, the Scheme may have to hold the instruments for a period beyond the call exercise date.

## 8. Risk Factors associated with investing in Securitized Debt

The Risks involved in Securitised Papers described below are the principal ones and does not represent that the statement of risks set out hereunder is exhaustive.

- **Limited Liquidity & Price Risk**  
There is no assurance that a deep secondary market will develop for the Certificates. This could limit the ability of the investor to resell them.
- **Limited Recourse, Delinquency and Credit Risk**  
The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts to the Certificate Holders may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Servicer may repossess and sell the Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realise the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.
- **Risks due to possible prepayments and Charge Offs**  
In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).
- **Bankruptcy of Bank with Liquidity facility**  
If the Bank with Liquidity facility, becomes subject to bankruptcy proceedings then an investor could experience losses or delays in the payments.

- **Risk of Co-mingling**  
With respect to the Certificates, the Servicer will deposit all payments received from the Obligors into the Collection Account. However, there could be a time gap between collection by a Servicer and depositing the same into the Collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the Loan Agreements may not be segregated from other funds of originator. If originator in its capacity as Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss.

## 9. Risk factors associated with creation of segregated portfolios.

- **Liquidity risk**

A segregated portfolio is created when a credit event occurs at an issuer level in the scheme. This may reduce the liquidity of the security issued by the said issuer, as demand for this security may reduce. This is also further accentuated by the lack of secondary market liquidity for corporate papers in India. As per SEBI norms, the scheme is to be closed for redemption and subscriptions until the segregated portfolio is created, running the risk of investors being unable to redeem their investments. However, it may be noted that, the proposed segregated portfolio is required to be formed within one day from the occurrence of the credit event.

Investors may note that 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 list the units of the segregated portfolio on a recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests. For the units listed on the exchange, it is possible that the market price at which the units are traded may be at a discount to the NAV of such Units. There is no assurance that a deep secondary market will develop for units of segregated portfolio listed on the stock exchange. This could limit the ability of the investors to resell them.

- **Valuation risk** - The valuation of the securities in the segregated portfolio is required to be carried out in line with the applicable SEBI guidelines. However, it may be difficult to ascertain the fair value of the securities due to absence of an active secondary market and difficulty to price in qualitative factors.

## 2. Special Considerations

- Investment decisions made by the Investment Manager will not always be profitable or prove to be correct. Accordingly, the scheme is not intended as a complete investment program.
- The tax benefits available under the ELSS scheme are as available under the present taxation laws and are available only to certain specified categories of investors and that is subject to fulfillment of the relevant conditions. The information given is included for general purposes only and is based on the law and the practice that is currently in force

in India and the investors and the Unitholders should be aware that the relevant fiscal rules and their interpretation might change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Investor/Unitholder is advised to consult his/her own professional tax advisor. The Trustee, AMC, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Scheme is wound up before the completion of the lock-in period. Investors are requested to review the prospectus carefully and obtain expert professional advice with regard to specific legal, tax and financial implications of the investment/participation in the scheme.

- A Unitholder may invest in the scheme and acquire a substantial portion of the scheme units. The repurchase of units by the Unitholder may have an adverse impact on the units of the scheme, because the timing of such repurchase may impact the ability of other Unit holders to repurchase their units.
- Prospective investors should review / study this Scheme Information Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/ investment matters and are advised to consult their own professional advisor(s) as to the legal or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of Units within their jurisdiction / of nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be used to purchase/gift Units are subject, and (also) to determine possible legal, tax, financial or other consequences of subscribing / gifting to, purchasing or holding Units before making an application for Units.
- Neither this Scheme Information Document nor the units have been registered in any jurisdiction. The distribution of this Scheme Information Document in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this Scheme Information Document in certain jurisdictions are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this Scheme Information Document or any accompanying application form in such jurisdiction may treat this Scheme Information Document or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements.
- No person has been authorised to give any information or to make any representations not confirmed in this Scheme Information Document in connection with this Offer or the issue of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund, the Investment Manager. Neither the delivery of this Scheme Information Document nor any sale made hereunder shall, under any circumstances, create any implication that the

information contained herein is correct as of the date of receipt of this document. The Investor is requested to check the credentials of the individual/firm he/she is entrusting his/her application form and payment to, for any transaction with the Fund. The Fund/Trustee or the AMC shall not be responsible for any acts done by the intermediaries representing or purportedly representing such investor

- The AMC has obtained a certificate from SEBI to act as a Portfolio Manager under Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993, vide registration No. INP000000464 and commenced the activity. The AMC has also obtained a No-Objection letter from SEBI under Regulation 24(2) of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 for commencing the Portfolio Managers activity. SEBI has accorded its no objection for providing non-binding investment advisory services to the group/ subsidiaries of the sponsor company for Franklin Templeton group, which are established outside India and invest in securities as FII or sub-accounts. The AMC has policies and systems in place to ensure that there is no conflict of interest between the aforesaid activities and to handle if any unavoidable conflict of interest, as envisaged in Regulation 24 of the SEBI (MF) Regulations, arises.

## **VI. HOW TO APPLY?**

### **From Whom**

The scheme units are being offered for subscription through AMFI/NISM registered/certified distributors and can also be purchased directly from the Mutual Fund through various Official Points of Acceptance of Franklin Templeton Mutual Fund and its website [www.franklintempletonindia.com](http://www.franklintempletonindia.com), FT Mobile app or through any other electronic mode introduced from time to time.

### **Availability of Forms**

Application Forms along with the Key Information Memorandum (KIM) and copies of this SAI and respective Scheme Information Documents (SID) are available from any of the Franklin Templeton Investor Service Centres, in addition to the Head Office of the Mutual Fund. Application Forms are also available with the approved intermediaries / distributors of the Mutual Fund as well as on the website of the Mutual Fund [www.franklintempletonindia.com](http://www.franklintempletonindia.com) or through any other electronic mode introduced from time to time.

### **Procedure for Purchase of Units**

Investors can purchase units of the schemes by completing an application form and delivering it at any of the Investor Service Centres / Collection Centres.

Investors can also perform digital transactions to purchase units of the schemes on the website of the Mutual Fund ([www.franklintempletonindia.com](http://www.franklintempletonindia.com)), FT Mobile app or using our BOT (including whatsapp) or through any other electronic mode introduced from time to time.

The investors should provide the primary account holder's own email ID and mobile number while providing the contact details, for speed and ease of communication in a convenient and cost-effective manner and to help prevent fraudulent transactions. In case contact details of a Family member are provided, investor(s) need to give a declaration to this effect. "Family" for this purpose would mean Spouse, Dependent Children, Dependent Parents only.

Further, all contact details (i.e., email address, Mobile number) should be of same individual. Providing email address of self and phone number of others and vice versa is not acceptable. If it is identified that the contact details provided in the application form may not be of the investor, or the same appears incorrect / doubtful, then Franklin Templeton may choose not to capture/update such email address and mobile number.

As per the SEBI guidelines, in respect of New Fund offers (NFO), investors will also have an option to make an application / payment under the Applications Supported by Blocked Amount (ASBA) facility. This facility is available to all investors eligible to invest in the schemes of the Mutual Fund. The applications under ASBA facility will be subject to the directives issued by SEBI from time to time.

Any changes/alterations in the Application Form must be countersigned by the investor(s). The Mutual Fund/AMC will not be bound to take cognisance of any changes/alterations if the same are not so countersigned.

The investors should ensure that the amount invested in the Scheme is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any Act, Rules, Regulations, Notifications or Directions of the provisions of Income Tax Act, Anti Money Laundering Act, Anti-Corruption Act and or any other applicable laws enacted by the Government of India from time to time.

### **Two-factor Authentication**

In case of subscription and redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used for authentication. One of the Factors for such Two-Factor Authentication for non-demat transaction shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC/RTA. In case of demat transaction, process of Two-Factor authentication as laid down by the Depositories shall be followed. In case of mandates/systematic transactions the requirement of Factor Authentication shall be applicable only at the time of registration of mandate/systematic transactions.

### **MF Utilities India Private Limited (MFUI) and MFCentral**

Investors can also transact through MF Utility (MFU), offered by **MF Utilities India Private Limited (MFUI)**. MFU is a shared services initiative of various asset management companies, which acts as a transaction aggregator for transacting in multiple schemes of various mutual funds with a single form and a single payment instrument.

MFUI will allot a **Common Account Number (CAN)**, a single reference number for all investments in the mutual fund industry, for transacting in multiple schemes of various

mutual funds through MFU and to map existing folios, if any. Investors can create a CAN by submitting the CAN Registration Form (CRF) and necessary documents at the authorised MFUI Points of Service (POS). The AMC and /or its Registrar and Transfer Agent (RTA) will provide necessary details to MFUI as may be needed for providing the required services to investors/distributors through MFU. Investors are requested to visit the websites of MFUI or the AMC to download the relevant forms.

Subscriptions with cheque favouring MFUI and all other financial and non-financial transactions pertaining to schemes of Franklin Templeton Mutual Fund can be done through MFU physically through the authorized MFUI POS with effect from the respective dates as published on MFUI website against the POS locations or electronically through their website [www.mfuonline.com](http://www.mfuonline.com) (as and when such a facility is made available by MFUI). The MFUI website [www.mfuonline.com](http://www.mfuonline.com) and authorised MFUI POS updated on [www.mfuindia.com](http://www.mfuindia.com) will be considered as **Official Points of Acceptance of transactions (OPAT)** of the AMC.

The online transaction portal of MFU i.e. [www.mfuonline.com](http://www.mfuonline.com) and the POS locations of MFUI will be in addition to the existing **OPAT** of the AMC.

For any queries or clarifications related to MFU, please contact the Customer Care of MFUI on 1800-266-1415 (during the business hours on all days except Sunday and Public Holidays) or send an email to [clientservices@mfuindia.com](mailto:clientservices@mfuindia.com).

Further, MFCentral – A digital platform for Mutual Fund investors - <https://mfcentral.com/> shall also be considered as an OPAT for the schemes of FTMF.

### **Investments in the name of a minor acting through guardian**

In case of investments held in the name of a minor, no joint holders will be registered. The minor, acting through the guardian, should be the first and sole holder in the Folio/ Account. The guardian should be either the parent (i.e. father or mother) or the court appointed legal guardian. The guardian of the minor may need to submit such declarations and/or other documents/information as a proof of guardianship, as may be prescribed by the AMC from time to time.

Date of birth of the minor along with photocopies of the supporting documents (viz. birth certificate, school leaving certificate/ Mark sheet issued by Higher Secondary Board of respective states, ICSE, CBSE etc., or, passport or any other document evidencing the date of birth of the minor) should be mandatorily provided while opening the account.

Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian.

Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may hold with the parent/ legal guardian after completing all KYC formalities.

Upon attainment of majority by the minor, the account should be regularised forthwith, the minor in whose name the investment was made, shall be required to provide all the KYC

details, updated bank account details including cancelled original cheque leaf of the new account. No further transactions shall be allowed till the status of the minor is changed to major. The AMC may specify such procedures for regularisation of the Folio, as may be deemed appropriate from time to time. Post attainment of majority by the minor, the Mutual Fund/AMC will not be obliged to accept any instruction or transaction application made under the signature of the guardian. In case of an application for registration of a systematic transaction facility (Systematic Investment Plan / Systematic Transfer Plan / Systematic Withdrawal Plan or Transfer of Income Distribution cum capital withdrawal), if the end date of the facility extends beyond the date of attainment of majority by the minor, such facility will be registered only up to the date of attaining majority.

### **Payment Details**

Purchases in the schemes should be for the minimum amount specified for the respective scheme.

Payments will be accepted only by cheques or bank drafts. All cheques / bank drafts should be drawn in favour of **the respective Scheme Name** and crossed "**A/c Payee only**". All cheques / bank drafts should be drawn on any bank and made payable at the location where the Application Form is submitted to the Franklin Templeton Investor Service Centre / Collection Centre.

Purchases / subscriptions can also be made through various electronic modes such as Real Time Gross Settlement (RTGS) / National Electronic Fund Transfer (NEFT) / Direct Credit (DC) / National Automated Clearing House (NACH)/ Net banking/ Unified Payment Interface (UPI)/ Immediate Payment Service (IMPS)/ Debit cards or such other modes as may be introduced by RBI from time to time.

Applicants from places where there is no Investor Service Centre / Collection Centre can deduct bank charges for issuance of draft (DD charges) from the application amount provided these drafts are payable at the Investor Service Centre / Collection Centre where the application form is submitted. However, the DD charges shall be limited to the bank charges stipulated by the State Bank of India. The AMC will not accept any request for refund of DD charges.

### **Receiving account statement / correspondence via e-mail**

The AMC will encourage the Unit holder to provide their e-mail addresses for receiving Account Statements and other correspondence. The Mutual Fund's Website would facilitate request for Account Statement by Unit holders. For those unitholders who have provided an e-mail address, the AMC will send the Account Statements/ Consolidated Account Statement (CAS) and other correspondence, including without limitation the annual report, half yearly portfolio statement and other services subscribed for by the unitholder by e-mail. Alternatively, the AMC may also send an e-mail to the investor giving the link to the website of the Mutual Fund for the aforesaid statements, wherever applicable. By providing an e-mail address, the unitholder shall be deemed to have agreed to receive the account statements and other correspondence by e-mail. However, if the unitholder wishes to receive account statement otherwise than by e-mail, he/she may request the AMC in writing for the same.

The Unit holder may download and print the Account Statement and other communication after receiving e-mail from the Mutual Fund. Should the Unit holder experience any difficulty in accessing the electronically delivered Account Statement, the Unit holder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternative means. Failure to advise Franklin Templeton Mutual Fund or the AMC of such difficulty within 24 hours of receiving the e-mail, will serve as an affirmation regarding the acceptance by the Unit holder of the Account Statement.

For the investors who have opted to receive Account Statements, CAS, Annual Reports and other correspondence by e-mail, the AMC/Mutual Fund will not be responsible for e-mail not reaching the investors and for all consequences thereof. The investors shall from time to time intimate the AMC/Mutual Fund about any changes in their e-mail address.

The Unitholders are requested to make themselves aware of all security risks including possible third party interception of the Account Statement and content of the Account Statement becoming known to third parties.

## **WEBSITE**

The website of Franklin Templeton Mutual Fund (the said Website) is intended solely for the use of Resident Indians, Non Resident Indians, persons of Indian Origin and Foreign Portfolio Investors registered with Securities and Exchange Board of India. It should not be regarded as a solicitation for business in any jurisdiction other than India. In particular the information is not for distribution and does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where such activity is prohibited including the United States of America and Canada. Any persons resident outside India who nevertheless intend to respond to this material must first satisfy themselves that they are not subject to any local requirements, which restrict or prohibit them from doing so.

Information other than that relating specifically to Franklin Templeton Asset Management (India) Pvt. Ltd., Franklin Templeton Mutual Fund and its products, is for information purposes only and should not be relied upon as a basis for investment decisions. Franklin Templeton Asset Management (India) Pvt. Ltd. shall not be responsible, nor be held liable, for any information contained in any website linked from the said Website.

Franklin Templeton makes no representations whatsoever about any such website which the user may access through the said Website. A link to a non-Franklin Templeton website does not mean that Franklin Templeton endorses or accepts any responsibility for the content, or the use, of such website. It is the responsibility of the user to take precautions to ensure that whatever is selected for use is free of such items as viruses and other items of a destructive nature.

The investors are requested to read the Terms and Conditions given on the said Website carefully before using the said Website. By using the said Website, the investor will be deemed to have agreed that the Terms and Conditions specified apply to the use of the investor of the said Website, any information obtained from the site, and our products and services. If the investor does not agree to the specified Terms, the investor may not use the said Website or download any content from it.

## **WEB (ONLINE) TRANSACTIONS**

In the new era of liberalisation and modernisation, the Fund wishes to take optimum advantage of the modern techniques of communication and transactions to serve its investors in a more efficient manner.

As a step towards the same, the Fund has introduced and is allowing certain online transactions, including subscription and redemption/repurchase of the Units of the Fund or any other transaction as may be specified by the Mutual Fund from time to time, through use of the Invest Online facility as described below. Online transactions will save cost & time of the investor and will also enable the Fund to serve its clients in a faster and efficient way.

However investors intending to take benefit of the web-based transaction facility should note that the investor shall use this service at their own risk. The Fund, the AMC, the Trustee, along with its directors, employees and representatives shall not be liable for any damages or injuries arising out of or in connection with the use of the website or its non-use including, without limitation, non-availability or failure of performance, loss or corruption of data, loss of or damage to property (including profit and goodwill), work stoppage, computer failure or malfunctioning, or interruption of business; error, omission, interruption, deletion, defect, delay in operation or transmission, computer virus, communication line failure, unauthorised access or use of information.

### **Invest Online facility**

As stated above, the Fund is currently offering a facility for conducting certain transactions digitally through various channels such as the Fund's website, APP as well as our BOT (including WhatsApp) ("Online Transactions"),

An existing Unitholder may visit the Mutual Fund's website ([www.franklintempletonindia.com](http://www.franklintempletonindia.com)) and register for Invest Online facility. By default, active single individual Unitholder would be granted transact access. Other Unitholders will be granted 'View only' access. For getting transaction access, such Unitholders will be required to execute necessary documentation as may be prescribed by the Mutual Fund / AMC from time to time. The terms and conditions of the Invest Online facility shall be binding on all the Unitholder(s).

The Unitholder shall be solely responsible for confidentiality of their login credentials and shall not disclose their login credentials to any third party and shall take all possible care to prevent discovery of the login credentials by any person.

The Online Transactions shall be carried out against his bank account, the details of which are provided by the Unitholder to, and are accordingly recorded with, the Fund.

All other norms prescribed by the Fund to access Invest Online facility will have to be adhered to from time to time.

The Fund shall not be liable for any misuse of data placed on the Internet, by third parties "hacking" or unauthorized accessing of the server. The Fund will not be liable for any failure to act upon electronic instructions or to provide any facility for any cause that is beyond the

control of the Fund.

**No outstation cheques or post-dated cheques will be accepted. The ISC/Collection Centre will NOT accept cash.**

Returned cheques are liable not to be presented again for collection, and the accompanying Application Forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges are liable to be debited to the investor.

### **Non acceptance of Third Party payment**

The AMC shall not accept subscriptions with Third Party payment instruments in the schemes of Franklin Templeton Mutual Fund, except in following cases:

- (a) Payment by Employer on behalf of employee for lump sum/one-time subscription or under SIP through Payroll deductions or deductions out of expense reimbursement;
- (b) Custodian on behalf of an FII or a client;
- (c) Payment by Asset Management Company to a Distributor empanelled with it on account of commission/incentive etc. in the form of the Mutual Fund Units of the Funds managed by such AMC through Systematic Investment Plans or lump sum / one-time subscription, subject to compliance with SEBI Regulations and Guidelines issued by AMFI, from time to time;
- (d) Payment by Corporate to its Agent/Distributor/ Dealer (similar arrangement with Principal-agent relationship) on account of commission or incentive payable for sale of its goods/ services, in form of mutual fund units through SIP or lump sum/ one-time subscription
- (e) Payment by parent or legal guardian on behalf of the minor

For this purpose (i) Third Party payment shall mean payment made through instruments issued from an account other than that of the beneficiary investor. It is clarified that in case of payments from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made; and (ii) 'related persons' shall mean such persons as may be specified by the AMC from time to time.

The investors making an application under the exception cases mentioned above need to submit such declarations and other documents / information as may be prescribed by the AMC from time to time.

The AMC may specify such procedures for registration of one or more bank accounts of the investor for their mutual fund folio/accounts and its verification, as may be deemed appropriate from time to time.

### **Mandatory Information**

#### **Bank Mandate:**

As per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications and therefore, investors are requested to fill-up the appropriate box in the application form failing which applications are liable to be rejected.

## Change in Bank Mandate

- For investors holding units in demat mode, the procedure for change in bank details would be as determined by the depository participant.
- For investors holding units in non-demat mode, the Unit holders may change their bank details registered with the Mutual Fund by submitting an application for the same

In an endeavour to protect the investors from possible fraudulent activities, the AMC may require the investors to submit such documents as may be deemed necessary or appropriate from time to time, for verification and validation of the bank account details furnished by the investors. The AMC reserves the right to deny the request for registration of a bank account for the investor's Folio in case the investor fails to submit the necessary document to the satisfaction of the AMC.

ation of a bank account for the investor's Folio in case the investor fails to submit the necessary document to the satisfaction of the AMC.

### **Submission of PAN:**

In terms of Para 14.11 of SEBI Master Circular on Mutual Funds dated May 19, 2023, Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-pension. SEBI, in its letter dated July 24, 2012 has conveyed that investments in mutual fund schemes [including investments through Systematic Investment Plan (SIP)] of up to Rs.50,000/- per year per investor shall be exempted from the requirement of PAN.

Accordingly, where the aggregate of lump sum investment (fresh purchase and additional purchase) and SIP instalments by an investor in a financial year i.e., April to March does not exceed Rs.50,000/- (referred to as "Micro investment"), it shall be exempt from the requirement of PAN. Such investors are required to provide alternate proof of identity in lieu of PAN for KYC purposes and are allotted PAN-exempt KYC Reference Number (PEKRN).

This exemption will be available only to Micro investment made by individuals being Indian citizens (including NRIs, joint holders, minors acting through guardian and sole proprietary firms). PIOs, HUFs, QFIs and other categories of investors will not be eligible for this exemption.

For the purpose of identifying Micro investment, applications shall be aggregated at the investor level (same sole holder/joint holders in the same sequence) and such aggregation shall be done irrespective of the number of folios / accounts under which the investor is investing and irrespective of source of funds, mode, location and time of application and payment.

Thus, submission of PAN is mandatory for all existing as well as prospective investors (including all joint applicants/holders, guardians in case of minors, POA holders and NRIs

but except for the categories mentioned above) for transacting with mutual funds. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy. E-PAN issued by CBDT can also be provided by FPI. All transactions without PAN (for all holders, including Guardians and POA holders) are liable to be rejected.

With reference to this, SEBI in its letter SEBI/HO/OW/IMD/PoD/P/2022/ 48112 /1 dated September 12, 2022, SEBI has advised that:

1. No investments (Systematic transaction, lumpsum, redemption) shall be permitted in such folios wherein PAN/ PEKRN details are not available.
2. Non-compliant, Non-PAN and Non-PEKRN folios will be liable to be frozen from April 01, 2023.
3. Non-investor-initiated transactions such as dividend pay-out, if any, declared by the Mutual Fund schemes shall also be disallowed
4. Unitholders whose folio(s) has/have been frozen due to the above requirement shall be able to (permitted to) lodge grievance or avail service request only after furnishing the above details.

#### **KYC Documents:**

It is mandatory for all investors (including joint holders, NRIs, POA holders, guardians in the case of minors, beneficiaries, etc) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the Anti-Money Laundering Laws. **Applications without such documents and information may be rejected.**

**All financial transactions with Franklin Templeton Mutual Fund need to comply with the PAN and KYC requirements as stated above**, failing which the applications are liable to be rejected. It is clarified that all categories of investors seeking exemption from PAN still need to complete the KYC requirements stipulated by the AMC/Trustee from time to time, irrespective of the amount of investment. If there is any change in the Client Due Diligence/KYC information provided by the investor, the same is required to be updated within 30 days of such change.

KYC Registration Agencies (KRAs) shall independently validate records of those investors (existing as well as new) whose KYC has been completed using Aadhaar as an OVD. The records of those investors who have completed KYC using non-Aadhaar OVD shall be validated only upon receiving the Aadhaar Number. Investors whose KYC records are not found to be valid by KRA after the validation process shall be allowed to transact in securities market only after their KYC is validated.

Subsequent to the launch of Direct Plans with effect from January 1, 2013, irrespective of whether the investments were originally routed through an AMFI registered mutual fund distributor or not, the treatment of existing investments as on December 31, 2012 will be as follows:

<b>Particulars</b>	<b>Treatment</b>
Existing investments in the scheme as on December 31, 2012	These will continue in the same existing plan/option in which they are currently invested.

<b>Particulars</b>	<b>Treatment</b>
Reinvestment of Income Distribution cum capital withdrawal option and issue of bonus units on existing investments	Units will be allotted in the existing plan as that of the original investment.
Existing registrations under Systematic Investment Plan (SIP): <ul style="list-style-type: none"> <li>• SIP applications which were made directly (made without a Distributor code)</li> <li>• SIP applications made under a Distributor code</li> </ul>	<ul style="list-style-type: none"> <li>• SIP instalments processed on or after January 01, 2013 will be automatically allotted under Direct for the balance tenure of the SIP in the interest of the investors. The investors, however, may request the Mutual Fund in writing to continue allotting units in the existing plan instead of Direct in case they desire to do so.</li> <li>• Units will continue to be allotted in the existing plan.</li> </ul>
Existing registrations under Systematic Transfer Plan (STP): <ul style="list-style-type: none"> <li>• STP applications which were made directly (made without a Distributor code)</li> <li>• STP applications made under a Distributor code</li> </ul>	<ul style="list-style-type: none"> <li>• STP instalments processed on or after January 01, 2013 will be automatically allotted under Direct for the balance tenure of the STP in the interest of the investors. The investors, however, may request the Mutual Fund in writing to continue allotting units in the existing plan instead of Direct in case they desire to do so.</li> <li>• Units will continue to be allotted in the existing plan.</li> </ul>
Existing registrations under Transfer of Income Distribution cum capital withdrawal plan (TIDCW)	Units will be allotted in the existing Destination Plan/Option as per the TIDCW registration.

### **How to Redeem Units**

In order to redeem units, investors must submit a redemption request by filling-up the pre-printed forms and submit / mail the same to any Investor Service Centre (ISC) / Collection Centre. All redemption request forms must contain the investor's Folio / Account Number and be duly signed. A web-based Redemption requests may also be submitted on website of the Mutual Fund ([www.franklintempletonindia.com](http://www.franklintempletonindia.com)) or through any other electronic mode introduced from time to time.

In case of units held in demat mode, applications for redemptions should be submitted to the respective Depository Participants only.

Redemption requests by telephone, telegram, fax or other means or that lack valid signatures may not be accepted.

Redemption of Units (including switch-out, STP-out, etc) will be considered on First-in-First-Out (FIFO) basis subject to lock in period.

The Fund, however, may limit the right to make redemptions. See “**Suspension of redemption of units**” below.

Unitholder may request the redemption of a certain specified Rupee amount or of a certain number of Units. If a redemption request is for both a specified Rupee amount and a specified number of Units, the specified number of Units will be considered the definitive request. In the case where a Rupee amount is specified or deemed to be specified for redemption, the number of Units redeemed will be the amount redeemed divided by the applicable NAV. Redemption requests will be honoured to the extent permitted by the credit balance in the Unitholder’s account. The number of Units so redeemed will be subtracted from the Unitholder’s account and a statement to this effect will be issued to the Unitholder. If the redemption request exceeds the Balance in the account then the account would be closed and balance sent to the investors. To pay the investor the redemption amount requested for (in Rupees), Franklin Templeton will redeem that many units as would give the investor the net redemption amount requested for, after deducting exit load as applicable from time to time.

**Redemption Price**

A valid redemption request received on any Business Day will be processed at the “Applicable NAV”, subject to applicable load.

All the applications will be processed at the Applicable NAV, subject to applicable load, based on the date and time of their receipt at the ISC, as evidenced by the electronic date / time stamp affixed at the ISC.

“Applicable NAV” is the Net Asset Value per unit of the business day on which the application for redemption is accepted on or before the cut of time.

The repurchase / exit load shall be charged as a percentage of Net Assets Value (NAV) i.e. applicable load as a percentage of NAV will be deducted from the NAV to calculate repurchase price. Further, Securities Transaction Tax (STT), as applicable, will be deducted therefrom.

To further elaborate, the redemption price is calculated by multiplying the “Applicable NAV for Redemption” by (1 - Exit Load) and deducting therefrom the STT, as applicable. The redemption price will be calculated to four decimals using standard rounding criteria. For example, if the “Applicable NAV for Redemption” (rounded) is Rs.12.3269 and the exit load applied is 0.5% and the STT applicable is 0.25%, the redemption price will be calculated as follows:

Redemption Price	=	[Applicable NAV for Redemption * (1- Exit Load)] - STT
	=	[12.3269 * (1-0.005)] - STT
	=	[Rs.12.26526550] - STT
	=	[Rounded off to Rs.12.2653] - STT

Calculation of STT:

In case the investor asks for the redemption in terms of no. of units (or for all units outstanding in his account), the computation of STT would be {[Unit \* (NAV less Exit Load, if any)] \* STT rate}

If the investor asks for a Rupee amount as redemption, the STT would be calculated as [(Rupee amount less exit Load, if any) / (1 - STT rate) - Rupee amount less Exit load, if any]

Example:

	Unit Redemption	Amount Redemption
No. of units	10,000	-
Amount	-	1,00,000
NAV (rounded)	12.3269	12.3269
Exit load	0.5%	0.5%
STT	0.25%	0.25%
Outstanding units	50,000	40,000

Unit redemption STT on NAV at redemption price:

Price	:	12.2653
Amount	:	1,22,653.00
STT	:	306.63
STT rounded up to Rupee:	307	
Net amount to investors	:	1,22,346.00
Balance units	:	40,000

Amount redemption STT on NAV at redemption price:

Price	:	12.2653
Gross Amount with STT	:	1,00,250.63
STT	:	250.63
STT rounded up to Rupee:	251	
No. of units	:	8,173.516
Balance units	:	31,826.484

**Payment of Redemption/Repurchase Proceeds and IDCW**

Redemption proceeds and IDCW will be paid by electronic mode. Physical despatch of redemption or repurchase proceeds or dividend payments shall be carried out only in exceptional circumstances. Payments will be made in favour of the Unitholder's registered name and bank account number. Where the requisite information pertaining to the unitholder's bank account is available with FTMF and subject to the AMC having necessary arrangements with the bank, the Mutual Fund / AMC shall endeavour to credit the redemption processed / IDCW directly to the Unitholder's bank account instead of issuing a payment instrument.

All payments will be made, in favour of the registered holder of the units or, if there is more than one registered holder, in favour of the first-named registered holder as determined by reference to the original application for Units.

To safeguard the interests of the unitholders from loss or theft of their redemption cheques, the details of their bank account will be printed on the redemption/IDCW payment (wherever available). Investors are required to provide the name of their bank, branch address, account type & account number in the Application.

The payment instrument (in case of physical payment) will be sent to the Unitholder's address registered with the Mutual Fund/ AMC. Dispatch of payment instrument shall be made by registered mail or courier, as may be deemed appropriate by the AMC unless otherwise required under any applicable regulations, at the risk of the investor. Such payments will constitute adequate discharge of the obligation of the Fund, Trustee and the AMC. The Fund, Trustee or the AMC will not be responsible for any delay/non-receipt of redemption proceeds where it is attributable to any incorrect/incomplete information provided by the investor. The Fund/ Trustee/ AMC will also not be liable for any loss on account of fraudulent encashment of the redemption cheque.

#### **Payment through electronic modes**

The redemption proceeds or IDCW may also be paid through various modes of electronic payments such as Real Time Gross Settlement (RTGS) / National Electronic Fund Transfer (NEFT) / Direct Credit (DC)/ Immediate Payment Service (IMPS) or any other electronic mode introduced from time to time which offers various benefits such as reduction in transit delays, loss of payment instrument in transit, protection against fraudulent encashment etc.

Where the requisite information pertaining to the unitholder's bank account is available with FTMF, the Mutual Fund / AMC may, at its discretion, endeavour to credit the redemption processed / IDCW directly to the Unitholder's bank account instead of issuing a payment instrument.

The investors are requested to provide their bank's Indian Financial System code (IFSC) for Real Time Gross Settlement (RTGS) or National Electronic Fund Transfer (NEFT). Investors are requested to note that RTGS and NEFT codes may be different for the same bank / branch. Please contact your bank for the details of the same. The Fund, Trustee or the AMC will not be responsible for any delay / non-receipt of electronic payment where it is attributable to any incorrect/incomplete information provided by the investor.

RTGS / NEFT/ IMPS are facilities offered by Reserve Bank of India (RBI), for facilitating better customer service by direct credit of IDCW /redemption to an investor's bank account through electronic credit. This helps in avoiding loss of IDCW /redemption warrant in transit or fraudulent encashment. It may be noted that there is no commitment from the Mutual Fund that this facility will be made available to the Unit holders for payment of IDCW /redemption proceeds. While the Mutual Fund will endeavour in arranging the facility it will be dependent on various factors including sufficient demand for the facility from Unit holders at any centre, as required by the authorities. Payments made through RTGS / NEFT / DC/ IMPS are subject to applicable rules and policies of RBI and the working of banking system.

Any charges levied by the investor's bank for receiving payment through RTGS / NEFT / DC/ IMPS will be borne by the investor. The Mutual Fund / AMC will not accept any request for refund of such bank charges.

In cases where such a facility is not available or if the facility is discontinued by the Scheme for any reason or if the Mutual Fund/AMC is not able to credit the funds to the Unitholder's bank account for any reason, the AMC shall despatch to the unitholders a payment instrument. The Mutual Fund / AMC, however, reserve the right to issue a payment instrument despite of an investor opting for Electronic Payout.

### **Right to Limit Redemptions**

The Trustee may, in its sole discretion in response to unforeseen circumstances or unusual market conditions, limit the total number of Units which may be redeemed on any Business day to 5% of the total number of Units then in issue (or such higher percentage as the Trustee may determine in any particular case). In addition, the Trustee reserves the right, in its sole discretion, to limit redemptions with respect to any single account in a single day as per the respective Scheme Information Document. Restriction on redemption may be imposed for a specified period of time not exceeding 10 working days in any 90 days period. The approval from the Boards of AMC / Trustee shall also be informed to SEBI in advance. Any Units which, by virtue of these limitations, are not redeemed on a particular Business Day will be carried forward for redemption on the next following Business Day in order of receipt. Redemptions carried forward will be made at the NAV in effect on the subsequent Business Day(s) on which the condition for redemption request is fulfilled. To the extent multiple redemptions are being satisfied in a single day under these circumstances, such payments will be made pro-rata based on the size of each redemption request. Under such circumstances, redemption cheques may be mailed out to investors within a reasonable period of time and will not be subject to the normal response time for redemption cheque mailing .

### **Suspension of sale of units**

With the approval of the Boards of Directors of the Trustee and the Asset Management Company, the sale of Units may be suspended temporarily or indefinitely when any of the following conditions exist:

1. The equity / debt market stops functioning or trading is restricted.
  2. Periods of extreme volatility in the equity / debt market, which, in the opinion of the Investment Manager, is prejudicial to the interest of the investors.
  3. When there is a strike by the banking community or trading is restricted by RBI or other authority.
  4. Period of extreme volatility in the equity / debt / money market, which in the opinion of the Board of Directors of AMC and Trustee is prejudicial to the interest of the scheme's investors.
  5. As and when directed by the Government of India or RBI or SEBI to do so or conditions relating to natural calamity/external aggression/internal disturbances etc. arises, so as to cause volatile movements in the money or debt market, which in the opinion of the AMC, will be prejudicial to the interest of the unitholders, if further trading in the scheme is continued.
- ders, if further trading in the scheme is continued.
6. Break down in the information processing/communication systems affecting the valuation of investments/processing of sale/repurchase request.
  7. Natural calamity.

8. SEBI, by order, so directs.
9. Trustee views that increasing the Scheme's size further may prove detrimental to the existing/prospective Unitholders of the Scheme.
10. Any other circumstances which in the opinion of the Board of Directors of AMC and Trustee is prejudicial to the interest of the existing/prospective investors.

### **Suspension of redemption of units**

With the approval of the Boards of Directors of the Trustee and the Asset Management Company, the redemption of Units may be suspended temporarily when there are circumstances leading to a systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets such as:

- i. Liquidity issues - when market at large becomes illiquid affecting almost all securities rather than any issuer specific security. Further, restriction on redemption due to illiquidity of a specific security in the portfolio of a scheme due to a poor investment decision, shall not be allowed.
- ii. Market failures, exchange closures - when markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies.  
to political, economic, military, monetary or other emergencies.
- iii. Operational issues - when exceptional circumstances are caused by force majeure, unpredictable operational problems and technical failures (e.g. a black out). Such cases can only be considered if they are reasonably unpredictable and occur in spite of appropriate diligence of third parties, adequate and effective disaster recovery procedures and systems.
- iv. Based on any other guidance/ circular issued by SEBI from time to time.

The approval from the Boards of AMC / Trustee giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.

### **Unambiguous and Unconditional Requests**

Any application for redemption, purchase or exchange or any other instruction must be correct, complete, clear and unambiguous in all respects and should conform to the prescribed procedure/documentation requirements, failing which the Trustee/AMC reserve the right to reject the same and in such a case the Trustee/AMC will not be responsible for any consequence therefrom. The Investor shall ensure that any overwriting or correction shall be countersigned by the investor, failing which the Fund/Trustee/AMC may at its sole discretion reject such transaction request. Further, any requests for purchase / redemption / switch or other transactions must be unconditional. The Fund/Trustee/AMC shall not be bound to take cognizance of any conditions placed on the transaction request and may at its sole discretion, reject such transaction request, or process the same as if the condition were not mentioned.

Applications that are incomplete or inaccurate or ambiguous or conditional are termed as 'Not in Good Order' (NIGO). NIGO applications are processed or rejected in accordance with the guidelines as mentioned on our website [www.franklintempletonindia.com](http://www.franklintempletonindia.com) as amended from time to time. All applications are accepted "Subject to Verification". Applications can be therefore rejected at the counter itself, or subsequently at the time of a

good order review either at the branch or at the back office.

### **Joint Applicants**

In the event an Account has more than one registered owner, the first-named holder (as determined by reference to the original Application Form) shall receive the Account Statements, all notices and correspondence with respect to the Folio / Account, as well as the proceeds of any Redemption requests or IDCW or other distributions. The Fund shall have no liability in this regard to any account holder other than the first named holder of Units. In addition, such first-named Unitholders shall have the voting rights, as permitted, associated with such Units, as per the applicable guidelines.

Applicants can specify the '**mode of holding**' in the application form as '*Joint*' or '*Any one or Survivor*'. In the case of holding specified as '*Joint*', redemptions would have to be signed by **all joint holders** in the same order as registered with the Mutual Fund. However, in cases of holding specified as '*Anyone or Survivor*', any one of the Unitholder will have the power to make redemption requests, without it being necessary for all the Unit holders to sign. However, in all cases, the proceeds of the Redemption will be paid only to the first-named holder.

In case of death/insolvency of any one or more of the Joint holders of the Units as named in the Register of Unit holders, the Asset Management Company (the AMC) shall not be bound to recognise any person(s) other than the remaining holders. However, in the event of death of a joint holder whose money is used for the investment, on a written request from the surviving joint holder(s) and on submission of such documents specified by the AMC such as relinquishment deed, indemnity bond, undertaking etc. by the surviving joint holder(s) or on production of a relevant Court order, the AMC may allow transmission of units to the nominee registered or to the legal heirs identified by the Court (including other statutory authorities) for the respective folio.

### **For Units held in Electronic (Demat) Mode**

For DP account held in joint names, the rules of the Depository for operation of such DP accounts will be applicable.

### **Investments by Companies/Corporate Bodies etc.**

In case of application by a limited company or a body corporate or an eligible institution or a registered society or a trust or a partnership firm under a Power of Attorney or otherwise, the original Power of Attorney duly notarised or a certified true copy thereof or the relevant resolution or authority to make the application / redemption as the case may be, or certified true copy thereof, along with a certified copy of the Memorandum and Articles of Association and/or bye laws and/or trust deed and/or partnership deed (as the case may be) and Certificate of Registration / Incorporation should be submitted. The officials should sign the application under their official designation. In case of a Trust, it shall submit a certified true copy of the resolution from the Trustee(s) authorising such purchases / redemption.

## **Investments under Power of Attorney (PoA)**

In case of an application under a Power of Attorney, the relevant original Power of Attorney duly notarised or duly certified true copy thereof should be submitted. The signatures of the investor and the POA holder must be clearly available in the POA document for the POA to be accepted as a valid document. Franklin Templeton reserves the right to reject any POA and / or subsequent transaction if the signatures as above are not available in the document.

## **INVESTMENTS BY NRI, OCI, FPI**

The schemes of Franklin Templeton Mutual Fund (FTMF) are not registered in the United States of America under the Investment Company Act of 1940. The units of the schemes have not been registered in the United States of America under the Securities Act of 1933. The units made available under this SAI or the respective Scheme Information Document (SID) may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of nationals or residents thereof, unless pursuant to an exemption from registration requirements available under the U.S. law, any applicable statute, rule or interpretation. Applicants for units may be required to declare that they are not a U.S. Person and are not applying for Units on behalf of any U.S. Person. Hence, the units of the schemes can be purchased by persons other than "U. S. Person".

The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission for this purpose, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations."

In the absence of written notice to FTMF/AMC/Trustee Company to the contrary, if a prospective investor provides a non-US address on the application form for investment in the schemes, this will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until FTMF/AMC/Trustee Company are otherwise notified of a change in the investor's US Person status.

The schemes of Franklin Templeton Mutual Fund are not registered in any provincial or territorial jurisdiction in Canada and Units of the Scheme have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. The Units made available under this SAI or the respective Scheme Information Document (SID) may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Applicants/subscribers applying for allotment of the Units may be required to declare that they are not a Canadian resident and are not applying for Units on behalf of any Canadian residents. If an Investor becomes a Canadian resident after purchasing Units of the Scheme, the investor will not be able to purchase any additional Units of the Scheme.

Hence, Units of the Schemes of Franklin Templeton Mutual Fund are not available for sale to persons resident in Canada.

Mutual Fund / AMC /Trustee reserves the right to redeem investors' investments in the event of failure on the part of the investor(s) to redeem his/her/their holdings, subsequent to his/her/their becoming (a) United States Persons with the meaning of Regulation (S) under the United States Securities Act of 1933 or as defined by the U.S. Commodity Futures Trading Commission, as amended from time to time or (b) residents of Canada.

The following summary outlines the various provisions related to investments by Non-Resident Indians ('NRIs'), Overseas Citizen of India (OCI) (including erstwhile Person of Indian Origin card holders) and Foreign Portfolio Investors ('FPIs') (previously called as Foreign Institutional Investors ('FIIs') in the schemes of the Mutual Fund and is based on the relevant provisions of the Income Tax Act, 1961 ('the Act'), regulations issued under the Foreign Exchange Management Act, 1999 and the Wealth Tax Act, 1957 (collectively called 'the relevant provisions'), as they stand on the date of this SAI.

**THE FOLLOWING INFORMATION IS PROVIDED FOR GENERAL INFORMATION ONLY. HOWEVER, IN VIEW OF THE INDIVIDUAL NATURE OF THE IMPLICATIONS, EACH INVESTOR IS ADVISED TO CONSULT WITH HIS OR HER OWN ADVISORS/AUTHORISED DEALERS WITH RESPECT TO THE SPECIFIC TAX AND OTHER IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEMES.**

NRIs, OCIs and FPIs can invest in Franklin Templeton schemes on repatriable or non-repatriable basis as per the provisions of Schedule 5 of the Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000 ('the Regulations') as explained below.

#### **Investments by NRIs and OCIs on Repatriable basis**

In case of NRIs / OCIs seeking to apply for purchase of units on a repatriable basis, payments may be made by way of wire transfer/ inward remittances from abroad through banking channels or out of the funds held in NRE/FCNR(B) Account of the investor to Franklin Templeton Mutual Fund's account with Citibank, Fort, Mumbai. Appropriate documents shall be submitted along with application to confirm inward remittance through the aforesaid channels.

#### **Investments by NRI's and OCI's on Non - Repatriable basis**

In case of NRIs / OCIs seeking to apply for units on a non-repatriable basis, payments may be made by way of wire transfer/ inward remittances from abroad through banking channels or out of the funds held in NRE/FCNR(B)/NRO Account of the investor to Franklin Templeton Mutual Fund's account with Citibank, Fort, Mumbai. Appropriate documents shall be submitted along with application to confirm inward remittance through the aforesaid channels.

#### **Investments by FPIs**

FPIs may pay for their subscription amounts by way of wire transfer / inward remittances from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account maintained in accordance with the

Foreign Exchange Management (Deposit) Regulations, 2016 to Franklin Templeton Mutual Fund's account with Citibank, Fort, Mumbai.

Appropriate documents shall be submitted along with application to confirm inward remittance through the aforesaid channels.

### **Redemptions & Income Distribution**

Redemption / maturity proceeds and / or IDCW or income earned (if any) will be payable in Indian Rupees only. The Scheme will not be liable for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

### **Investments made on Repatriable basis**

The investments shall carry the right of repatriation of capital invested and capital appreciation so long as the investor continues to be a resident outside India. In the case of a FPI, the sale proceeds (net of taxes) of units of domestic mutual fund may be remitted outside India or credited to the foreign currency account or a SNRR account of the FPI. In any other case, where the investment is made out of inward remittance or from funds held in NRE/FCNR(B) account of the investor, the maturity proceeds / repurchase price of units (after payment of taxes) may be credited to NRE (PIS) / NRO/FCNR(B) account of the NRI/OCI maintained with an authorised dealer in India.

### **Investments made on Non-Repatriable basis**

Where the purchase of units is made on a non-repatriable basis, the net redemption / maturity proceeds of units (after payment of taxes) will not qualify for repatriation out of India and the same shall be credited only to the NRO account of the non-resident investor.

Similarly, investments in units purchased in Rupees while the investor was resident of India and becomes non-resident subsequently will not qualify for repatriation of repurchase proceeds of units.

Investors are advised to contact their authorised dealers / tax consultants if they desire remittance of the income distribution on units abroad.

### **Foreign Account Tax Compliance Act (FATCA) / Common Reporting Standard**

In order to ensure compliance with the reporting requirements provided in Rules 114F to 114H and Form 61B of the Income-tax Rules, 1962 Franklin Templeton Mutual Fund, AMC and Trustee are required to collect certain information and declaration from investors from time to time. Any failure of investors to provide such information/clarification may lead to rejection of application and such other consequences as may be mentioned in the *Special Products / Facilities offered by the AMC / Schemes*

#### **(1) Exchanges / Switch**

Investors can, subject to any applicable restriction (such as lien/lock-in) exchange / switch investments between schemes of Franklin Templeton Mutual Fund at the applicable NAV (subject

to applicable load) provided that

- a. there is no book closure in either of the schemes/plans.
- b. the investment sought to be exchanged is not under any lock-in period and are free of any lien or encumbrances.
- c. the amount sought to be exchanged is equal to or higher than minimum investment amount required for opening an account in the destination scheme/plan.

Unitholder may request the switch of a certain specified Rupee amount or of a certain number of Units (or All units). Investors so desiring to switch may submit a switch request indicating therein the details of the scheme from which switch is to be made (Source Scheme) and the scheme to which the switch is to be made (Destination Scheme). Applications for switch as above should specify the amount / Units to be switched from out of the Units held in any of the existing Schemes of the Fund. The switch request will be subject to the minimum application size and other terms and conditions of the Source Scheme as well as the Destination Scheme. Switch requests will

be honoured to the extent permitted by the credit balance (free from any lock-in, lien or encumbrance) in the Unitholder's account. The number of Units so switched will be subtracted from the Unitholder's account and a statement to this effect will be issued to the Unitholder. In the case where a rupee amount is specified or deemed to be specified for switch, Franklin Templeton will redeem that many units as would give the net switch amount requested for, after deducting securities transaction tax, other applicable taxes and exit load as applicable from time to time.

For effecting the switch / exchange, the units of source scheme/plan will be redeemed at the applicable NAV (subject to applicable load) and the net proceeds shall be invested in the destination scheme/plan at the applicable NAV. The applicable NAV will depend upon the date and time at which the switch request is accepted as evidenced by the electronic date / time stamp affixed at any ISC or Collection Centre and will be subject to the cut-off time and other terms of the respective schemes.

All the switches / exchanges will be treated as redemption in the source scheme and subscription in the destination scheme, with the applicable load structure. The switches of Units will be considered on First-in-First-Out (FIFO) basis.

The investors may please note the exchanges / switches in the schemes shall be subject to the terms and conditions of the respective schemes, including applicable lock-in-periods.

In the event of book closure in any of the schemes, the relevant exchange will be effected on the working day immediately following the end of the book closure period.

The Trustee/AMC reserves the right to alter/vary the terms of exchanges.

### **Switching from any schemes of the Mutual Fund**

Investors who hold Units in any open-end schemes launched of the Mutual Fund and also investors who hold Units in any closed-end scheme launched, may switch all or part of their holdings (free from any lock-in, lien or encumbrance) into this Scheme during the NFO and on an ongoing basis. The switch from any closed-end fund will be subject to applicable repurchase and/or maturity date of the respective Scheme(s) or Plan(s) and will be permitted only on such

dates. The Applicable NAV for switching out of the existing open-end funds will be the NAV of the Business Day on which the switch request, complete in all respects, is accepted by the AMC, subject to the cut-off time and other terms specified in the Scheme Information Documents of the respective existing open-end schemes during the NFO and on an ongoing basis. Similarly the applicable NAV for switching out of the existing close-end funds will be the applicable NAV (after considering applicable loads) on the specified repurchase date for such Plan(s), subject to the switch request, complete in all respects, being accepted by the AMC, and subject to the availability of repurchase facility and other terms specified in the Scheme Information Document of the respective existing closed-end Schemes.

For any application of switch-in from any open-ended Franklin Templeton Scheme into this Scheme, received on any date during the NFO, the application will be deemed to have been received on the last date of the NFO and will be processed accordingly. However, in case the last date of the NFO is a non-Business Day for the Source Scheme, the application will be deemed to have been received on the last Business Day for the Source scheme immediately preceding the last date of the NFO and will be processed accordingly. In case the Source Scheme is a closed-end scheme or an interval scheme that offers limited redemption facility, which is available only during the stipulated redemption periods, the switch application will be deemed to have been received on the last day of the relevant redemption window (or on the last day of the NFO if the relevant redemption window closes after the NFO closure) and processed accordingly.

Since the application money for subscription to the Units of the Scheme should be in multiples of Re.1/- only (Rs. 500/- for ELSS), the amount switched-in to any Franklin Templeton scheme (irrespective of whether the switch request specifies a certain Rupee amount or number of Units – including All Units) will be restricted to an amount which is a multiple of Re.1/- (Rs. 500/- for ELSS) and the balance amount would, at the discretion of the AMC, be retained in the source scheme or paid to the investor.

## **(2) SYSTEMATIC INVESTMENT PLAN (SIP)**

Mutual Fund Investors can benefit by investing specified rupee amounts periodically for a continuous period. This concept is called Rupee Cost Averaging. This savings program allows investors to save a fixed amount of rupees every month by purchasing additional units of the Fund. Therefore, the average unit cost will always be less than the average sale price per unit irrespective of the market being rising, falling or fluctuating.

By investing a fixed amount of Rupees at regular intervals, investors can take advantage of the benefits of Rupee Cost Averaging, at the same time, saving a fixed amount each month.

The unitholder may avail Systematic Investment Plan (SIP) by completing the application form and submitting the same at any of the ISC / Collection Centres. Unitholders may change the amount and / or tenure (but not below the specified minimum) by giving written notice to the AMC/Registrar. An SIP may be terminated on appropriate written notice by the unitholder of the fund, and it may terminate automatically if transmission is initiated for that folio (notification of death) or incapacity of the unit holder.

The Investment Manager may change rules relating to the facility from time to time.

## Highlights

- The provision for minimum application amount shall not be applicable to SIP investments, which have different minimum installment amount.  
**Frequency:** Currently, Franklin Templeton Mutual Fund offers four frequencies of SIP viz. Daily, Weekly, Monthly and Quarterly. Daily frequency is not available for Franklin India ELSS Tax Saver Fund (ELSS) and Franklin India Pension Plan (FIPEP).
- The minimum amount and minimum number of installments for SIP are as under:

SIP Frequency	Minimum Amount (Rs.)*	Minimum number of installments
Daily (Not available for ELSS & FIPEP)	100	If Rs. 100 – 499: 20 installments If Rs. 500 – 999: 12 installments If Rs. 1000 and above: 6 installments
Weekly, Monthly & Quarterly	500	If Rs. 500 – 999: 12 installments If Rs. 1000 and above: 6 installments

\* and in multiples of Re.1/- thereafter except for Franklin India ELSS Tax Saver Fund which requires investments in multiples of Rs. 500/-.

There is no maximum duration for SIP enrolment.

- In case of applications for registration of Systematic Investment Plan (SIP), the mode of payment of SIP instalments should be Direct Debit or NACH or any other mode of payment accepted by the AMC from time to time. Post dated cheques will not be accepted.
- Daily SIPs shall be processed on all Business Days. In case of weekly frequency, investor can select any Business Day between Monday to Friday. In case of Monthly and Quarterly, all the SIP instalments (except the first one) must be uniformly dated for the month / quarter. In case the SIP Debit date is not indicated, 10th shall be treated as the Default date. In case of weekly frequency, default day is Wednesday.
- Load: For all SIP purchase transactions during ongoing sale, the entry and exit load as applicable for normal purchases shall be applicable [Normal purchases are purchases at the minimum subscription amount specified for each respective scheme, other than purchases through SIP, STP(in), TIDCW(in) or Exchange/Switch(in)].
- In case the specified date or default date/day of SIP instalment falls on a Non-Business day for the scheme or on a day which is not available in a particular month, the SIP will be processed as follows:
  - For Weekly, Monthly and Quarterly SIP frequencies: Immediately next Business day for that scheme.
  - For Daily SIP frequency: The respective SIP instalment will be skipped.
- Transactions Charges shall be deducted from SIP installments, if applicable..
- Time taken for Registration of SIP:
  - For investors having an existing active payment mandate, first installment for daily/weekly frequency can commence atleast after 7 days for online registration and atleast after 15 days for offline registration post receipt of the application.

- For all SIP frequencies with new payment mandate, offline SIP registration can commence atleast after 30 days and online SIP registration can commence immediately post receipt of the application.
- If during the currency of a Daily & Weekly SIP frequency, the unitholder changes the plan or option in which he/she had invested, the same would be treated as termination of existing SIP and re-registration of a new SIP and all the terms and conditions of the SIP such as minimum term/amount etc. shall apply in both plans/options. For Monthly and Quarterly frequency, Freedom SIP features are being provided.
- The SIP registration will be discontinued in cases where six (6) consecutive installments are not honored.
- Investors will have the right to discontinue the SIP facility at any time by sending a written request to any of the Official Point(s) of Acceptance. Notice of such discontinuance should be received at least 15 days prior to the due date of the next installment. On receipt of such request, the SIP facility will be terminated.
- The AMC / Trustee reserves the right to discontinue the SIP in case of rejection of Direct Debit/NACH by the bank for any reason, and debit the return / rejection charges to the investors' account.
- The AMC / Trustee shall not be responsible for any delay/non-processing of Direct Debit/NACH transaction where it is attributable to any incorrect/incomplete information provided by the investor.
- The AMC / Trustee shall not be responsible and liable for any damages/compensation for any loss, damage etc., incurred by the investor. The investor assumes the entire risk of using the Direct Debit/NACH facility and takes full responsibility for the same.
- Investor will not hold AMC / Trustee and its service providers responsible if the transaction is delayed or not effected by the investor Bank or if debited in advance or after the specific SIP date due to various reasons.
- The AMC / Trustee reserves the right to modify or discontinue the SIP facility at any time in future on a prospective basis.
- Investors may note that facilities under Freedom SIP would not be available for Daily and weekly SIP frequency.

It is clarified that the load applicable for a SIP shall be the load prevailing on the date of registration.

Here is an illustration using hypothetical figures to show how a Systematic Investment Plan can benefit an investor. Let us assume that Mr. ABC would like to invest Rs.1,000/- as a quarterly investment for a period of four quarters, i.e. a total of Rs.4,000/-.

Quarter	Amount Invested (Rs.)	Public Offering Price (POP) (Rs.)	No. of Units purchased
1	1000	12.0000	83.333
2	1000	15.0000	66.667
3	1000	9.0000	111.111
4	1000	12.0000	83.333
<b>TOTAL</b>	<b>4000</b>	<b>48.0000</b>	<b>344.444</b>

Average price (per unit) per quarter (quarters) = Rs.12.0000 (i.e. Rs. 48/4).

Average cost per unit = Rs.11.6129 (i.e. Rs. 4000/344.444 units).

As can be seen from the example above, the average cost per unit is always lower than the average market price per unit, irrespective of a rise, fall or fluctuations in the market. A greater number of units were purchased when the per-unit cost was low; fewer units were purchased when the per-unit cost was high. Thus, Mr. ABC automatically gains without having to monitor prices (NAV) on a day-to-day basis.

However, an investor should note that the market value of the Scheme's units is subject to fluctuations. **Before undertaking any plan for Systematic Investment, the investor should keep in mind that such a program does not assure a profit or protect against a loss.**

### **Systematic Investment Plan (SIP) Variants facility**

SIP Variants, branded as Freedom SIP are defined as features that can be added to an existing/new Systematic Investment Plan (SIP) through the online and/or offline mode. These features are listed below:

- Step Up SIP
- Pause SIP
- Any Date SIP
- SIP Amount Change
- Flexi SIP

The facility of SIP Variants is provided by Franklin Templeton Mutual Fund (FTMF) to facilitate investors to modify the amount/date of SIP as per the availability of financial resources. This facility may assist the investors in managing their investments without cancelling/revoking/annulling the ongoing SIP.

In case of identical SIPs the SIP variant shall be applied to any one of them. The investor would be required to submit separate forms/ requests for applying a SIP Variant to each SIP.

FTMF reserves the right to reject an application for 'SIP Variants' if it is termed as 'Not in Good Order' in accordance with the guidelines as mentioned on our website [www.franklintempletonindia.com](http://www.franklintempletonindia.com) as amended from time to time. In such circumstances, the ongoing SIP will continue to be processed.

#### **I. Step Up SIP facility**

Step-up SIP is a facility wherein an investor who has enrolled for SIP has an option to increase the amount of the SIP installment by a fixed amount at pre-defined intervals. This is to offer an ability to increase investments with increase in savings or income.

- All Schemes offering SIP facility shall be eligible to offer Step Up SIP facility.
- Step up SIP facility shall be available for SIP Investments through / Direct Debit Facility/ Bill Pay / Net Banking / NACH (maximum value) and e-mandate only.
- Step up SIP will be offered on an annual basis for monthly and quarterly SIP frequencies.
- Step up will be offered in terms of percentage of existing SIP value or fixed value; multiples of 5% or ₹ 500. In case of a % increase, the Rupee value will be rounded off to the nearest multiple of ₹ 100.

Step Up SIP facility shall be governed by following conditions:

- All the terms applicable to SIP facility shall also apply to Step up SIP.
- For registering a new SIP with Step Up feature, the minimum tenure of new SIP shall be at least 2 years.
- For an existing SIP, minimum 3 monthly installments or 1 Quarterly installment should be remaining to register a Step Up.
- Step-up SIP is applicable only for AMC initiated debit feeds i.e. NACH/Direct Debit, etc.
- Investor will need to provide an alternate mandate in case the existing mandate cannot be utilized for the Step Up and the alternate mandate shall be utilized to debit money for all future SIP installments. The existing mandate will still be active and the investor may choose to use the same if required at a later point of time.
- For existing SIPs, Investor can decide if the step up facility should apply on the first possible instalment or after the rolling cycle. If the first possible cycle is chosen, the rolling year will change for that investor.

Note: Rolling year is defined as the period from the 1st instalment of the SIP to the 12th calendar month from the said 1st instalment.

- A Step Up SIP or a Step up cancellation request shall be submitted at least 20 days before instalment due date for it to be effective.
  - Step up Rejection and Cancellation will not cancel the SIP registered by the investor. Receipt of a subsequent Step Up request will override the initial request. The new request will apply to the current value of the already Stepped Up SIP.
- For Family Solutions, Step Up facility can be requested at goal level.
  - Step up facility will not be activated automatically to any new SIPs enrolled to a particular goal. Investor would need to specifically request in writing for applying the Step Up facility to the new SIPs.
  - The stepped up amount shall be allocated to all the underlying schemes of a particular goal as per the instructions of the investor subject to rounding off to the nearest ₹100.

Example: Simple comparison of Regular SIP and SIP+ Step UP

Assuming investor avails 'Step Up' choosing to increase SIP Value by ₹1, 000/-

<b>SIP Period (Dates)</b>	<b>Regular SIP</b>	<b>SIP with 'Step Up' facility</b>
March 2016 - Feb 2017	5000	5000
March 2017 - Feb 2018	5000	6000
March 2018 - Feb 2019	5000	7000
	And so on...	And so on...

## II. Pause SIP facility

Any existing investor who has an ongoing SIP will have an option to Pause SIP at any time.

- Notice of Pause should be submitted at least 20 days prior to the subsequent SIP date.
- The Pause SIP facility is available for SIP registration with monthly & Quarterly frequency.

- Pause SIP is allowed upto three instalments (Monthly or Quarterly) with one request which will be applicable from the next possible installment.
- Pause SIP is applicable only for AMC initiated debit feeds i.e. NACH/Direct Debit, etc.
- Pause SIP is not possible for the investors having Standing Instructions with banks.
- The SIP shall continue from the subsequent instalment after the completion of Pause period automatically.
- Investors can avail this facility as often as desired but a separate request is required for each instalment.
- For Family Solutions, Pause SIP facility cannot be requested at goal level. However, it can be requested for each underlying SIP which is part of the goal

### III. Facility to initiate SIP on Any date for New SIPs and Date Change for Existing SIPs

**New SIP** - An investor can choose any date of a month for SIP installments. In case the installment date chosen in the current or subsequent months is a non-business day or is not available, the installment will be applied on the next business day.

- The default date will be considered as 10th of the month in case the instalment date is not selected in the SIP form.

**Existing SIP** – An SIP instalment date change can be requested by the investor for an existing SIP.

- The request must be received 30 days before the next instalment.
- The facility is offered across regular and Family Solutions SIPs.
- All the existing terms and conditions shall apply to Any date SIP.
- For Family Solutions, Date Change facility will not be activated automatically to any new SIPs. Investor would need to specifically request for applying Date Change to each SIP.
- The default date will be considered as 10<sup>th</sup> of the month in case the instalment date is not selected in the SIP form.

SIP Frequency	Choice of the Day/ Date*
Monthly	Any date of the month - (29, 30, 31 will default to last business day of the month)
Quarterly	Any date of the month for each quarter - (29, 30, 31 will default to last business day of the month)

\*Date - In case the chosen date falls on non-business day, SIP will be processed on the next Business day.

Note: Last business day of the month will be chosen where 29, 30, 31 are non-business days in the month.

### IV. SIP Amount Change facility

SIP Amount Change facility enables the investor to change the amount of the SIP without cancelling the ongoing SIP.

- Applicable to all existing investors with ongoing SIP transactions with maximum value mandates through NACH, Direct Debit, E mandate, Net banking, Bill pay etc.
- Available only for ongoing SIP Transactions and shall not be accommodated with New SIP Transactions.
- SIP Amount Change is not available for payments via Standing Instructions.
- SIP Amount Change is applicable only for AMC initiated debit feeds i.e. NACH/Direct Debit, etc.
- SIP Amount change will be offered for both monthly and quarterly installments.
- SIP Amount change will be requested by providing the desired target value (new value of SIP)
- SIP Amount change will be applicable (until SIP Cancellation) for all the remaining tenure of SIP Transaction.
- Investor to provide the SIP Amount change request at least 20 days prior to next installment date.
- Available for Family Solutions and Regular SIPs.
- For Family Solutions, SIP Amount Change facility cannot be requested at goal level. However, it can be requested for each underlying SIP which is part of the goal.

## **V. Flexi SIP facility**

FTMF investors are offered an option to change the installment amount for a single month or a quarter in situations where an investor may have surplus or a shortfall of cash in a specific month or a quarter. Hence, the investor has the flexibility to change the value for that specific month or quarter.

- Applicable to all existing investors with ongoing SIP transactions with maximum value mandates through NACH, Direct Debit, E mandate, Net banking , Bill pay, etc.
- Available only for ongoing SIP Transactions and shall not be accommodated with New SIP Transactions.
- Flexi SIP is applicable only for AMC initiated debit feeds i.e. NACH/Direct Debit, etc.
- Investors have a right to increase/decrease the SIP installment through Flexi SIP at any time during the tenure of SIP.
- Flexi SIP offers SIP installment change facility for a month at monthly and for a quarter at quarterly intervals for both Family Solutions and Regular SIPs. Investor should provide the desired target value for availing this facility.
- Investor to provide the Flexi SIP request 20 days prior to next installment date.
- The Flexi SIP facility cannot be modified once enrolled. In order to make any changes, the investor must provide a new request to AMC.
- For Family Solutions, Flexi SIP facility cannot be requested at goal level. However, it can be requested for each underlying SIP which is part of the goal.

## **Other terms governing the SIP Variants facility**

- Franklin Templeton Mutual Fund, the AMC, the Trustees, the Sponsors, their respective employees, directors, affiliates and associates shall not be held responsible for any loss, damage etc. incurred by the investor upon availing the SIP Variant facility.
- The AMC / Trustee reserves the right to discontinue these facilities in case of cheque return or

rejection of Direct Debit/ NACH by the bank for any reason and debit the return / rejection charges to the investors' account.

- The AMC / Trustee shall not be responsible for any delay/non-processing of Direct Debit/ NACH transaction where it is attributable to any incorrect/incomplete information provided by the investor.
- The AMC / Trustee shall not be responsible and liable for any damages/compensation for any loss, damage etc., incurred by the investor or due to the happening of any force majeure event. The investor assumes the entire risk of using the Direct Debit/ NACH facility and takes full responsibility for the same.
- Investor shall not hold AMC / Trustee and its service providers responsible if the transaction is delayed or not effected by the investor's Bank or if debited in advance or after the specific SIP date due to various reasons.
- The AMC / Trustee reserves the right to modify or discontinue the SIP Variants facility at any time in future on a prospective basis.

### **Cancellation of Systematic Investment Plans (SIPs)**

In light of the same, following timeline shall be followed for treating an SIP as closed / cancelled automatically with effect from April 1, 2024:

<b>Sr. No.</b>	<b>SIP Interval</b>	<b>No. of failed debit attempts prior to cancellation of SIP</b>
1.	Daily	3
2.	Weekly	3
3.	Monthly	3
4.	Quarterly	2

A communication will be sent to the investor after 1<sup>st</sup> failed debit attempt, mentioning that the SIP will cease in case of consecutive rejections and another communication after cancellation of SIP intimating the cancellation.

### **SYSTEMATIC TRANSFER PLAN (STP)**

A unitholder may establish a Systematic Transfer Plan and choose to transfer on a daily, weekly, monthly or quarterly basis from the Scheme to another Franklin Templeton scheme. The transfer will be effected by way of redemption of units (with appropriate exit load, if any) and a reinvestment (with appropriate entry load, if any) of the redemption proceeds in another Scheme(s).

The unitholder may avail STP by completing the application form and submitting the same at any of the ISC / Collection Centres. Unitholders may change the amount and / or tenure (but not below the specified minimum) by giving written notice to the AMC / Registrar. An STP may be terminated on appropriate written notice by the unitholder of the fund, and it may terminate automatically (as per the table 1) if all the units are liquidated or withdrawn from the account, or upon the Fund's receipt of notification of death or incapacity of the unitholder

The Investment Manager may change rules relating to the facility from time to time.

## Highlights:

This facility is available to the investors of all open-end schemes of Franklin Templeton Mutual Fund, subject to the terms mentioned herein below. An investor can select this facility whereby the investor chooses to transfer on a periodic basis a pre-determined amount from any Franklin Templeton open-end scheme (Source Scheme) into any other Franklin Templeton open-end scheme (Destination Scheme) selected by the investor. The provision of “Minimum Redemption Amount” of the Source Scheme(s) and “Minimum Subscription Amount” of the Destination Scheme(s) shall not be applicable to STP.

- 1) In order to start the STP facility, the minimum current value requirement in the Source Scheme is as follows:

Frequency	Fixed Amount Option (Rs.)	Capital Appreciation Option (Rs.)*
Daily	1,000/-	Not available
Weekly	2,000/-	5,00,000/-
Monthly	2,000/-	1,00,000/-
Quarterly	2,000/-	1,00,000/-

\* Except in Franklin India Liquid Fund (FILF), Franklin India Ultra Short Bond Fund (FIUBF), Franklin India Floating Rate Fund (FIRF) and Franklin India Money Market Fund (FIMMF) where the same should be Rs. 10 Lakhs for all frequencies.

- 2) However, the following schemes/plans/options are not available as Source Scheme:

- Franklin India Pension Plan (FIPEP)
- Franklin India ELSS Tax Saver Fund

- 3) Franklin India ELSS Tax Saver Fund is not available as Destination Scheme (under Capital Appreciation Option)

- 4) Options: There are two options available:

- a. Fixed Amount Option: A fixed amount can be transferred to the specified Destination Scheme at prescribed frequency; and
- b. Capital Appreciation Option: Capital appreciation in the Source scheme can be transferred to the specified Destination Scheme at prescribed frequency.

- 5) The Capital Appreciation option will be available only under the Growth plans/options of the Source schemes. NAV on the date of registration of STP request will be considered for calculating the capital appreciation of the first installment. For subsequent STP installments, NAV as on the date of previous STP installment processed with capital appreciation option will be considered. However in case of any additional inflows in between the STP installments, the capital appreciation on such additional units will be the NAV difference between the additional purchase date and STP installment. (refer Illustration-2)

- 6) Frequency: The frequency can be Daily, Weekly, Monthly or Quarterly. The Daily frequency of transfer will be available only under Fixed Amount Option.

- 7) Transfer of Funds:

<b>Transfer of Funds</b>	<b>Fixed Amount Option</b>	<b>Capital Appreciation Option</b>
<b>Daily STP</b>	A fixed amount can be transferred to the specified Destination Scheme.	Not Applicable
<b>Weekly STP</b>	A fixed amount can be transferred on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week to the specified Destination Scheme.	The capital appreciation as on the immediately preceding business day for the Source Scheme can be transferred to the specified Destination Scheme, on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week as chosen by the investor.
<b>Monthly STP/ Quarterly STP</b>	A fixed amount can be transferred on a pre-specified date (to be chosen by the investor) of every month/every quarter to the specified Destination Scheme	The capital appreciation as on the last business day of every month/quarter can be transferred to the specified Destination Scheme

\* In case the chosen day of the week falls on non-business day, STP will be processed on the next Business Day.

- 8) In case the specified date is a non-business day for either the Source Scheme or the Destination Scheme, the STP will be processed on the following business day for both the schemes. The STP will be applicable subject to the terms of the destination scheme.
- 9) Minimum Amount and Term:

(a) Under the Fixed amount option

<b>Frequency</b>	<b>Minimum Amount per transfer from Source Scheme</b>	<b>Minimum number of transfers</b>	<b>Minimum investment amount in Destination Scheme (INR)</b>	<b>Maximum duration</b>
Daily	INR 500	2	$500 * 2 = 1000$	5 years
Weekly	INR 1000	2	$1000 * 2 = 2000$	5 years
Monthly	INR 1000	2	$1000 * 2 = 2000$	5 years
Quarterly	INR 1000	2	$1000 * 2 = 2000$	5 years

(b) Under Capital Appreciation Option, the minimum term shall be 6 months.

- 10) Load: The load as applicable in the Source scheme for normal purchase/redemption shall be applicable. For all STP transactions, the load prevailing for the Destination scheme on the date of registration of the STP shall be applicable.
- 11) At least 5 Calendar days' prior intimation should be given to the Mutual Fund for commencement of a fresh STP or cancellation/termination of an existing STP.
- 12) If in case of a monthly/quarterly STP with Fixed Amount Option, if the unitholder specifies 30th or 31st of the month (28th/29th in case of February) as the "Specified Date" for the STP

transaction, then the STP shall be processed on the day, which is the last business day in that month for both the schemes.

- 13) Where the Start Date of the STP is not mentioned, then for an STP under Monthly/Quarterly option, the Start Date shall be deemed as follows:

If STP is submitted .....	Then Start Date shall be deemed to be .....
On or before 8th day of the month	15th day of that month
After 8th day but on or before 23rd day of the month	last business day of that month for both the schemes
After 23rd day of the month	15th day of the next month

In case of Daily STP, the same shall be deemed to be the 8th day from the date of submission of the request at any of Franklin Templeton ISC / Collection Centres.

- 14) This facility is not available for investments under lock-in period or on which any lien or encumbrance is marked.
- 15) It shall be the responsibility of the investor to ensure that sufficient balance (free from any Lock-in or encumbrances) is available in the Source Scheme account on the date of transfer, failing which the transfer will not be effected. STP will be discontinued in case the transfer is not effected due to insufficient balance in the investor's account as per the below table.

Table 1. The cancellation process is applicable for both Fixed Amount and Capital appreciation option

STP Frequency	Period in which no sufficient balance is available in Source Scheme to process an STP instalment	No. of STP instalments during the specified period
Daily	1 month	30 days
Weekly	1 month	4
Monthly	2 months	2
Quarterly	3 months	1

- 16) The AMC/Trustees reserve the right to discontinue or modify the STP facility at any time in future on a prospective basis.

Here are illustrations using hypothetical figures to explain the concept of a Systematic Transfer Plan.

#### Illustration - 1

**Fixed amount option:** Let us assume that Mr. ABC would like to transfer Rs.1000/- every month from Scheme 1 to Scheme 2 for a period of four months, i.e. a total of Rs.4000/-.

Scheme 1 (Source Scheme)					
Month	Opening Balance of Units	Applicable NAV (Rs.)	Amount Redeemed (Rs.)	No. of Units Redeemed	Closing Balance of Units
	(a)	(b)	(c)	(d) = [c/b]	(e) = [a-d]

1	5,000.000	11.0000	1,000.00	90.909	4,909.091
2	4,909.091	11.0800	1,000.00	90.253	4,818.838
3	4,818.838	11.1500	1,000.00	89.686	4,729.152
4	4,729.152	11.2000	1,000.00	89.286	4,639.866
<b>Scheme 2 (Destination Scheme)</b>					
<b>Month</b>	<b>Amount Invested (Rs.)</b>	<b>Applicable NAV (Rs.)</b>	<b>No. of Units Allotted</b>	<b>Closing Balance of Units</b>	
	(f)	(g)	(h) = [f/g]	(i)	
1	1000.00	11.0000	90.909	90.909	
2	1000.00	11.0920	90.155	181.064	
3	1000.00	11.1290	89.855	270.919	
4	1000.00	11.2220	89.111	360.030	

### Illustration - 2

**Capital appreciation option:** Let us assume that Mr. ABC invested Rs. 1,00,000 in Scheme 1 on August 1 at NAV of Rs. 10 per unit and he would like to transfer capital appreciation on a monthly basis from Scheme 1 (Source Scheme) to Scheme 2 (Destination Scheme) for a period of 6 months.

Date of STP Registration - August 12

NAV on August 12 - 10.5000

Date of first STP transaction - August 31

<b>Transaction date</b>	<b>Transaction type</b>	<b>Amount (Rs)</b>	<b>NAV</b>	<b>Units</b>	<b>Closing Balance</b>
		(a)	(b)	(c)=a/b	(d)
August 1	Purchase Scheme 1 -	1,00,000.00	10.0000	10000.00	10000.000
August 31	STP to Scheme 2 (e)	15000.00	12.0000	1250.000	8750.000
September 30	STP to Scheme 2 (e)	8750.00	13.0000	673.077	8076.923
October 5	Purchase Scheme 1 -	1000.00	15.0000	66.667	8143.59
October 31	STP to Scheme 2 (e)	25926.15	16.2000	1600.379	6543.211

## Calculation of Capital Appreciation amount

STP date	STP date NAV	Registration date NAV/ Previous NAV/ Additional Purchase NAV	NAV Appreciation per unit	Unit Balance in Source Scheme	Capital Appreciation/ STP Amount (Rs)
	(a)	(b)	c = a-b	(d)	e = c*d
August 31	12.0000	10.5000	1.5000	10000.000	15000.00
September 30	13.0000	12.0000	1.0000	8750.000	8750.00
October 31	16.2000	13.0000 (for 8076.923 units) and 15.0000 (for 66.667 units)	3.2 (for 8076.923 units) and 1.2 (for 66.667 units)	8143.59	(3.2 * 8076.923) + (1.2 * 66.667) = 25926.15

### Note:

The Fund may close an investor's account if the balance falls below the minimum prescribed balance (based on applicable NAV) in the Schemes from which Transfer is proposed to be done due to redemptions or SWP (and not as a result of STP) and the investor fails to invest sufficient funds to bring the value of the account to the prescribed minimum (based on applicable NAV) after a written intimation in this regard is sent to the Unitholder.

### Perpetual tenure option under Systematic Transfer Plan

Investors looking for Systematic Transfer Plan (STP) with long gestation period can select the "Till Further Instructions" option in weekly, monthly and quarterly frequencies whereby, the STP will continue for as long as the investor maintains sufficient balance in the Source Scheme or the investor provides further instructions on cancellation of the STP mandate. In case the investor doesn't specify the end date for a STP or doesn't select the "Till Further Instructions" option, then the default STP period will be capped at 5 years.

**FLEX SYSTEMATIC TRANSFER PLAN** Under this facility unit holder(s) holding units in non-demat form can opt to transfer variable amount(s) linked to value of investments under Flex STP on the date of transfer at pre-determined intervals from designated open-ended Scheme(s) of Franklin Templeton Mutual Fund [referred to as Source Scheme(s)] to the Growth option of designated open-ended Scheme(s) of Franklin Templeton Mutual Fund [referred to as Target Scheme(s)].

### Salient features of the facility:

- Flex STP is available at Weekly, Monthly and Quarterly Intervals.

Particulars	Frequency
Weekly option	Any day* (Monday to Friday)
Monthly & Quarterly option	Any date*

\*In case the date chosen for STP falls on a non-business day or on a day which is not available in a particular month, the STP will be processed on the immediate next business day.

- b. At the time of registration, the minimum amount under this facility is as follows:

Frequency	Minimum Amount of Transfer (Rs.)
Weekly, Monthly & Quarterly	1,000/- and in multiples of Re.1

The following schemes/plans/options are not available as Source and Target schemes:

- Franklin India Pension Plan
  - Franklin India ELSS Tax Saver Fund
- c. Under Flex STP, the amount sought to be transferred shall be calculated as follows: Fixed Amount to be transferred per Instalment or the amount as determined by the following formula [(fixed amount to be transferred per instalment X number of instalments including the current instalment) - market value of the investments through Flex STP in the Target Scheme on the date of transfer] whichever is higher.
- d. There should be a minimum of 6 instalments for enrolment under Weekly and Monthly Flex STP and 4 instalments for Quarterly Flex STP. The minimum balance in unit holder's account or minimum amount of application at the time of enrolment for Flex STP should be Rs. 12,000/-.
- e. In case the amount (as calculated basis above) to be transferred is not available in the Source Scheme in the unit holder's account, the residual amount will be transferred to the Target Scheme and Flex STP will be closed.
- f. Flex STP with Weekly, Monthly and Quarterly Frequency shall commence if the application is submitted at least 5 calendar days prior to the applicable date. The first Flex STP instalment will be processed basis the fixed instalment amount specified by the unit holder at the time of enrolment. Flex STP shall be applicable from second instalment onwards.
- g. The total Flex STP amount invested in the Target Scheme shall not exceed the total enrolment amount i.e. amount per instalment X number of instalments.
- h. The amount transferred under the Flex STP from the Source Scheme to the Target Scheme shall be effected by redeeming units of Source Scheme at Applicable NAV, after payment of Exit Load, if any, and subscribing to the units of the Target Scheme at Applicable NAV in respect of each Flex STP investment. Exit Load, if any, prevailing on the date of enrolment shall be levied in the Target Scheme. The redemption / switch-out of units allotted in the Target Scheme shall be processed on First In First Out (FIFO) basis. In case there is a redemption / switch-out of any units allotted under Flex STP, the balance instalments under Flex STP will be processed for the fixed instalment amount specified by the unitholder at the time of enrolment.
- i. If the Flex STP Date and/or Frequency has not been indicated or multiple frequencies are selected, Monthly frequency shall be treated as Default frequency and last business day of the month shall be treated as Default Date.
- j. In case of lesser-than-required balance in the Source scheme, the available balance will be transferred to Target scheme under Flex STP and subsequently the Flex STP will cease to be active. In case of nil balance in the Source Scheme, Flex STP for that particular due date will not be processed. Flex STP will cease to be active upon unsuccessful transaction or if all units are pledged or upon receipt of intimation of death of Unit holder.

- k. In case no end date is mentioned in the form at the time of registration of Flex STP, the default time period taken will be 5 years.
- l. In order to discontinue the facility, a written request must be submitted at least 7 business days prior to the next applicable transfer date for Weekly/Monthly/Quarterly frequency.
- m. The provision of "Minimum Redemption Amount" specified in the SID(s) of the respective designated Source Schemes and "Minimum Application Amount" applicable to the Scheme as specified in this document will not be applicable for Flex STP.
- n. Unit holders may opt for either Value STP or Flex STP registration in a particular target scheme in a folio. Further, multiple Value STPs or multiple Flex STP registrations in the same target scheme in a folio will also not be allowed.

The AMC / Trustee reserves the right to change / modify load structure and other terms and conditions under Flex STP or withdraw the facility prospectively at a future date.

## VALUE SYSTEMATIC TRANSFER PLAN

Under this facility unit holder(s) holding units in non-demat form can opt to transfer an amount at regular intervals from designated open-ended Scheme(s) of Franklin Templeton Mutual Fund ("Source Scheme") to the Growth Option of designated open-ended Scheme(s) of Franklin Templeton Mutual Fund ("Target Scheme") including a feature of Reverse Transfer from Target Scheme into the Source Scheme, in order to achieve the Target Market Value on each transfer date in the Target.

Salient features of this facility are as follows:

### a. Scheme details:

Source Schemes	Target Scheme
<ul style="list-style-type: none"> <li>• Franklin India Overnight Fund</li> <li>• Franklin India Liquid Fund</li> <li>• Franklin India Savings Fund</li> <li>• Franklin India Floating Rate Fund</li> <li>• Franklin India Corporate Debt Fund</li> <li>• Franklin India Banking and PSU Debt Fund</li> <li>• Franklin India Government Securities Fund</li> <li>• Franklin India Debt Hybrid Fund</li> <li>• Franklin India Equity Hybrid Fund</li> <li>• Franklin India Equity Savings Fund</li> <li>• Franklin India Balanced Advantage Fund</li> <li>• Franklin India Dynamic Asset Allocation Fund of Funds</li> <li>• Franklin India Multi-Asset Solutions Fund of Funds</li> <li>• Franklin India Multi Cap Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Franklin India Bluechip Fund</li> <li>• Franklin India Flexi Cap Fund</li> <li>• Franklin India Equity Advantage Fund</li> <li>• Franklin India Focused Equity Fund</li> <li>• Templeton India Value Fund</li> <li>• Templeton India Equity Income Fund</li> <li>• Franklin India Prima Fund</li> <li>• Franklin India Smaller Companies Fund</li> <li>• Franklin Build India Fund</li> <li>• Franklin India Opportunities Fund</li> <li>• Franklin India Technology Fund</li> <li>• Franklin Asian Equity Fund</li> <li>• Franklin India Feeder - Franklin U.S. Opportunities Fund</li> <li>• Franklin India Feeder - Templeton European Opportunities Fund</li> <li>• Franklin India Index Fund - NSE Nifty 50 Index Plan</li> <li>• Franklin India Multi Cap Fund</li> </ul>

- b. Value STP offers transfer facility at weekly, monthly and quarterly intervals.  
 c. The minimum amount per Value STP instalment shall be as follows:

Frequency	Minimum Amount of Transfer (Rs.)	Minimum instalments
Weekly	Rs. 500 and in multiples of Re 1 thereafter	12 instalments where instalment amount is less than Rs. 1,000/- and a minimum of 6 instalments where instalment amount is equal to or greater than Rs. 1,000/-
Monthly	Rs. 1000 and in multiples of Re 1 thereafter	6 instalments of Minimum Rs.1000
Quarterly*	Rs. 3000 and in multiples of Re 1 thereafter	2 instalments of Minimum Rs.3000

\*Beginning of quarter could be any month.

- d. There is no maximum duration for Value STP enrolment provided the end date is mentioned in the form. In case no end date is mentioned, the default time period taken will be 5 years.
- e. The minimum unit holder's account balance or a minimum amount of application at the time of Value STP enrolment in the Source Scheme should be Rs. 12,000.
- f. The provision of 'Minimum Redemption Amount' as specified in the Scheme Information Document(s) of the respective designated Source Scheme(s) (Target Scheme(s) in case of Reverse Transfer) and 'Minimum Application Amount' specified in the Scheme Information Document(s) of the respective designated Target Scheme(s) (Source Scheme(s) in case of Reverse Transfer) will not be applicable for Value STP.
- g. The objective of Value STP is to achieve the Total Target Market Value in the Target Scheme by transferring an amount from the Source Scheme at regular intervals in such a way so as to increase the Target Market Value of units in the Target Scheme systematically by a fixed amount (i.e. the first instalment amount specified by the Unitholder) on the date of each transfer till the tenure of the Value STP. The amount to be transferred under Value STP from Source Scheme to Target Scheme shall be calculated as follows:
- The first Value STP instalment will be processed for the first instalment amount specified by the Unitholder at the time of enrolment.
  - From the second Value STP instalment onwards, the transfer amount may be higher/lower than the first instalment amount, as derived by the formula stated below: (First instalment amount X Number of instalments including the current instalment) - Market Value of the investments through Value STP in the Target Scheme on the date of transfer.
- h. In case the amounts (as specified above) to be transferred are not available in the Source Scheme in the unit holder's account, the residual amount will be transferred to the Target Scheme and Value STP will be closed
- i. Value STP with Weekly, Monthly and Quarterly Frequency shall commence if the application is submitted at least 5 calendar days prior to the applicable date.
- j. Reverse Transfer: On the date of transfer, if the Market Value of the investments in the Target Scheme through Value STP is higher than the first instalment amount X number of instalments (including the current instalment), then a Reverse Transfer will be effected from the Target Scheme to the Source Scheme to the extent of the difference in the amount, in order to arrive at the Target Market Value.

- k. The total amount invested through Value STP over its tenure in the Target Scheme, may be higher or lower than the Total Target Market Value of the investment (i.e. the first instalment amount X total number of instalments specified by the Unitholder). This may be on account of fluctuations in the Market Value of the Target Scheme.
- l. The redemption/ switch-out of units allotted in the Target Scheme shall be processed on First In First Out (FIFO) basis.
- m. In case there is a redemption/ switch-out of any units allotted under Value STP in the Target Scheme by the Unit holder, the balance instalments under Value STP will be processed as a regular STP for the remaining instalments by investing the amount indicated as first instalment amount, on the date of each transfer over the balance tenure of the Value STP, subject to availability of unit balance in the Source Scheme.
- n. In case of lesser-than-required balance in the source scheme, the available balance will be transferred to Target scheme under Value STP and subsequently the Value STP will cease to be active. Value STP will be automatically terminated if all units are liquidated or withdrawn from the Source Scheme or pledged or upon receipt of intimation of death of the unit holder.
- o. Unit holders will have the right to discontinue the Value STP facility at any time by sending a written request to the OPAT. On receipt of such request, the Value STP facility will be terminated within 15 days.
- p. The amount transferred under the Value STP from the Source Scheme to the Target Scheme shall be effected by redeeming units of Source Scheme at the Applicable NAV, after payment of Exit Load, if any, and subscribing to the units of the Target Scheme at Applicable NAV. Exit Load, if any, prevailing on the date of enrolment shall be levied in the Target Scheme and Source Scheme (for units purchased through Reverse Transfer)
- q. Unit holders may opt for either Value STP or Flex STP registration in a particular target scheme in a folio. Further, multiple Value STPs or multiple Flex STP registrations in the same target scheme in a folio will also not be allowed.

The AMC / Trustee reserves the right to change / modify load structure and other terms and conditions under the Value STP or withdraw the facility prospectively at a future date.

#### **TRANSFER OF INCOME DISTRIBUTION CUM CAPITAL WITHDRAWAL PLAN (TIDCW)**

This facility is available to the investors of various IDCW plans (except Daily IDCW and Weekly IDCW Plans) of all open-end schemes\* of Franklin Templeton Mutual Fund (except Franklin India Floating Rate Fund). For Franklin India Liquid Fund, the facility is available for Daily IDCW Plan and Weekly IDCW Plan as well.

\*TIDCW IN and OUT registered in any of the six schemes of Franklin Templeton Mutual Fund under the process of winding up is cancelled. The six schemes under winding up are namely - Franklin India Ultra Short Bond Fund (Number of Segregated Portfolios - 1), Franklin India Low Duration Fund (Number of Segregated Portfolios - 2), Franklin India Short Term Income Plan (Number of Segregated Portfolios - 3), Franklin India Credit Risk Fund (Number of Segregated Portfolios - 3), Franklin India Dynamic Accrual Fund (Number of Segregated Portfolios - 3) and Franklin India Income Opportunities Fund (Number of Segregated Portfolios - 2). For all the investors the TIDCW option with any of the six schemes under winding up as the destination scheme, the default option will be considered unless requested otherwise. The default option is Payout of Income Distribution cum capital withdrawal option in case of Franklin India ELSS Tax Saver Fund and Reinvestment of Income Distribution cum capital withdrawal option for all other

schemes. For example: An investor in Franklin India Bluechip Fund has opted to transfer the IDCW to any of the six schemes under winding up, now the IDCW will be reinvested in Franklin India Bluechip Fund, unless requested otherwise. Similarly, an investor in Franklin India ELSS Tax Saver Fund has opted to transfer the IDCW to any of the six schemes under winding up, now the IDCW will be paid out to the investor, unless requested otherwise.

An investor can select this facility whereby the distribution declared in one Franklin Templeton open-end scheme (Source Scheme) will be automatically invested into any other Franklin Templeton open-end scheme selected by the investor (Destination Scheme).

An investor can select this facility whereby the distribution declared in one Franklin Templeton open-end scheme (Source Scheme) will be automatically invested into any other Franklin Templeton open-end scheme selected by the investor (Destination Scheme).

The unitholder may avail IDCW Transfer of Income Distribution cum capital withdrawal plan (TIDCW) by completing the application form and submitting the same at any of the ISC / Collection Centres. TIDCW may be terminated on appropriate written notice by the unitholder of the fund, and it may terminate automatically if all the units are liquidated or withdrawn from the account, or upon the Fund's receipt of notification of death or incapacity of the unitholder.

The Investment Manager may change rules relating to the facility from time to time.

#### **Highlights:**

- In order to avail the TIDCW facility, the minimum account balance in the Source Scheme should be Rs.25,000/-.
- The frequency of transfer will depend on the IDCWs declared in the plan of the Source Scheme in which the investment has been made.
- The amount, to the extent of the distribution in the Source Scheme, will be automatically invested in the Destination Scheme at its NAV on the next Business Day for both the schemes and equivalent units will be allotted, subject to the terms and conditions of the Destination Scheme:  
For example: An investor in Scheme A opts to invest the IDCW in Scheme B. If the IDCW record day is a Wednesday and Thursday is the book closure for Scheme A, the investor will be allotted units at NAV of Friday. In case Friday is a non – Business Day for either Scheme A or Scheme B, the units will be allotted at the NAV of immediate next Business Day for both the schemes
- Minimum amount of IDCW eligible for transfer under TIDCW: The IDCW from Source Scheme will be transferred to Destination Scheme, only when the number of units to be allotted on account of IDCW transfer in the Destination Scheme, when rounded off, are greater than or equal to 0.001. If the number of units to be allotted in Destination Scheme on account of IDCW. transfer from Source Scheme is less than 0.001, the IDCW will be automatically reinvested in the Source Scheme
- Load: For all TIDCW purchase transactions, the entry and exit load as applicable for normal purchases shall be applicable [Normal purchases are purchases at the minimum subscription amount specified for each respective scheme, other than purchases through SIP, STP(in), TIDCW(in) or Exchange/Switch(in)].
- A TIDCW may be terminated by the unitholder by giving appropriate written notice.

- The Trustee/AMC reserves the right to modify or discontinue the TIDCW facility at any time in future on a prospective basis.

It is clarified that the load applicable for TIDCW shall be the load prevailing on the date of the respective transfer.

### **SYSTEMATIC WITHDRAWAL PLAN (SWP)**

A Unitholder may establish a Systematic Withdrawal Plan (SWP) in any scheme and receive regular payments from the account based on the chosen SWP frequency. The Unitholder can opt to withdraw a fixed amount, subject to a prescribed minimum amount per installment. Unitholder can also opt to withdraw capital appreciation. The Unitholder may avail of SWP by completing the application form and submitting the same at any of the Official Points of Acceptance of Transactions (“OPAT”).

The amount thus withdrawn by redemption shall be converted into Units at the applicable NAV and such Units will be subtracted from the unit balance of that Unit holder account.

Unitholders may change the amount (but not below the specified minimum) by giving written notice to the AMC. SWP transaction may be terminated on appropriate written notice by the unitholder of the fund.

SWP mandate will be cancelled on transaction failures due to NIL balance subject to a maximum of 3 consecutive unsuccessful attempts, or upon the Fund's receipt of notification of death or incapacity of the unitholder. A written intimation in this regard shall be sent to the unitholder.

The AMC / Trustee reserves the right to modify or discontinue the SWP facility at any time in future on a prospective basis.

### **Highlights:**

- This facility is available in all plans and options of the all schemes.
- There is no minimum balance required for registration of SWP
- The frequencies available for SWP option include Monthly, Quarterly, Semi Annual and Annual option.
- There are two options available for SWP:
  - (a) **Fixed amount:** A fixed amount can be withdrawn under monthly /quarterly /semi – annual / annual options on any business day as per the SWP scheduled date.
  - (b) **Capital Appreciation:** Investor can withdraw the capital appreciation as on the last business day of the opted frequency period – (monthly /quarterly /semi – annual / annual options).
  - (c) The investor can choose a minimum of 1 transaction under SWP option.
- If in case of a monthly/quarterly/ semi-annual/ annual SWP with Fixed Amount Option, if the unitholder specifies 30th or 31st of the month (28th/29th in case of February) as the

“Specified Date” for the SWP transaction, then the SWP shall be processed on the day, which is the last business day in that month for the scheme.

- Capital Appreciation Option is available only in Growth plans/options of the Schemes.
- Load: For all SWP purchase transactions, the exit load as applicable for normal purchases shall be applicable.
- Minimum withdrawal: Under the fixed amount option, minimum withdrawal amount is Rs. 500.
- At least 7 business days’ prior intimation should be given to the Mutual Fund for commencement of a fresh SWP or cancellation / termination of an existing SWP.
- Where the Start Date of the SWP is not mentioned, then the same shall be deemed to be the first available date after a period of 7 business days post the date of submission of the SWP request, depending upon the option chosen by the unit holder.
- If the investor fails to provide the duration for SWP, and in absence of additional information from the investor, a default period of 3 years is considered.
- If the investor fails to mention frequency of SWP, and in absence of additional information from the investor, monthly frequency is considered as a default.
- This facility is not available for investments under lock-in period. It is clarified that the load applicable for SWP shall be the load applicable for the respective purchase transaction.

Here is an illustration using hypothetical figures to explain the concept of a Systematic Withdrawal Plan. Let us assume that Mr. ABC has invested Rs.10,000/- and been allotted 1000 units during the initial offer. Subsequently he would like to receive Rs.1000/- for a period of four months, commencing from the beginning of the next month.

Month	Opening Balance of Units	Amount Withdrawn (RS.)	Applicable NAV (RS.)	No. of units redeemed	Closing Balance of Units
1	1000.000	1000	12	83.333	916.667
2	916.667	1000	15	66.667	850.000
3	850.000	1000	9	111.111	738.889
4	738.889	1000	12	83.333	655.556
Total		4000		344.444	

#### ‘FRANKLIN TEMPLETON FAMILY SOLUTIONS’ FACILITY:

Franklin Templeton Family Solutions (“FS”) is a facility offered by FTMF to encourage investors to plan for their investments based on life goals.

The **salient features** of the Franklin Templeton Family Solutions facility are as follows:

Family Solutions is a unique investment solution that helps investors plan for their life goals

- (a) To invest under the FS facility, investor will need to undertake a questionnaire that asks for basic details on the goals such as target amount, investment horizon, anticipated rate of inflation. This tool, which is available on FTMF’s website [www.franklintempletonindia.com](http://www.franklintempletonindia.com). Based on the inputs provided by the investor a set of schemes of FTMF and the amount of investment towards the goal would be recommended for investment. However, the investor may opt to invest in schemes of his/her choice and such amount as determined by him/her at his/her discretion.

- (b) The investor needs to make the application by filling the specified application and transaction forms of the FS facility along with a single cheque/draft for the consolidated amount of investment under the application. Applications accompanied with multiple cheques/drafts will be liable for rejection. Alternatively, the investor can transact online on FTMF website / app.
- (c) Official Points of Acceptance of Transaction (OPAT) for FS applications: FTMF hereby declares all its branch offices (ISC) and CAMS Collection Centres as the OPAT for FS applications. Currently, the applications will not be accepted at the KFIN Collection Centres.
- (d) Irrespective of the amount of investment recommended through the Family Solutions Planner, the minimum investment amount for fresh and additional purchase in each scheme shall be as specified in the respective Scheme Information Document. Eg: If the recommended amount of investment in a scheme is Rs.4,000/- and the minimum investment amount specified in the Scheme information Document of that scheme is Rs.5,000/-, the investor need to invest at least Rs.5,000/- in the scheme.
- (e) In case of applications for registration of Systematic Investment Plan (SIP), the mode of payment of SIP instalments should be ECS or Direct Debit or NACH. Post dated cheques will not be accepted.
- (f) FTMF / the AMC may not accept any request for any changes or modifications in the goal(s) and goal details at any time for whatsoever reason. However, whenever an investor comes with an additional investment and different goal, a new account is created.
- (g) The Trustee/AMC reserves the right to change/modify or discontinue the facility at any time in future.

The **Terms and Conditions** of the FS facility are as follows:

1. Family Solutions is a facility offered by Franklin Templeton Mutual Fund to encourage investors to plan for their investments based on life stage goals. However, there is no assurance or guarantee that the goals of the investors will be achieved and the same is subject to the investment performance of the schemes.
2. Setting up the goals, planning of investment and taking informed investment decision might require professional expert advice. As always, investors are best advised to consult their investment/financial advisor prior to taking the investment decisions
3. The Trustee, the AMC, the Sponsor, their directors, employees, affiliates or representatives shall not be liable for any consequences that may arise in the event any of the schemes is wound up or its features are substantially altered. Investors are requested to review the Scheme Information Document and the features and terms and conditions of the Family Solutions facility carefully and obtain expert professional advice with regard to specific legal, tax and financial implications of the investment.
4. The recommendation given to the investor through the Family Solutions Planner is based on the inputs provided by the investor. The portfolio determined in light of the information furnished by the investor in the questionnaire, based on certain pre-determined criteria.
5. The recommended schemes and the investment amount have been derived using established theories on risk and return, after considering various aspects including, but not limited to, the nature of the schemes (such as its investment objectives, investment style and product positioning) and the inputs provided by the investor about his life goals. It may please be noted that the recommendation may not take into consideration all the material aspects relevant to the investor's investment decision. It is clarified that the recommendation is not

binding on the investor and investor may opt to invest in schemes of his/her choice and such amount as determined by him/her at his/her discretion.

6. The recommendation is based solely on the inputs provided in the questionnaire. Franklin Templeton is not responsible for the accuracy and validity of the information provided by the investor. Also it must be clearly understood that while providing the recommendation, FTMF has neither done a detailed risk profiling of the investor nor has taken into consideration the investor's full portfolio of investments and various other factors which may be necessary for rendering an investment advice. The recommendation should not be construed as a complete investment advice.
7. Past performance of the schemes is neither an indicator nor a guarantee of future performance, and may not be considered as the basis for future investment decisions.
8. For ongoing tracking of the investment and related advice, the investor needs to contact his/her distributor or investment/financial advisor. Franklin Templeton is not responsible for tracking of the investment vis-à-vis the goal or achievement of the goal or for providing any advice of whatsoever nature in relation to the investment.
9. Mention of goals in the account statement is merely a facility offered for ease and convenience of the investor in tracking the investment, and is based on the information provided by the investor in the Application Form. In case of units subsequently converted in demat form, the account statement of the Beneficiary Account with the Depository Participant (DP) will be sent by the respective DP's as per their service standards and these statements will not carry the details of the goals.
10. This facility is offered to the investors as per the terms and conditions as may be prescribed by the AMC from time to time and is further subject to the terms of conditions of the Statement of Additional information of Franklin Templeton Mutual Fund and the Scheme Information Document of the respective schemes. The AMC reserves the right to amend the terms and conditions, or to discontinue or modify the facility at any time in future.
11. The views constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the investors. The information or recommendation is not meant to serve as a professional guide for the investors. Whilst due care has been taken to ensure that the facts are accurate and opinions given fair and reasonable, the Sponsor, the AMC, the Trustee or any of their directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information or recommendation. Recipients of this information or recommendation should take informed investment decision after taking into consideration all the material aspects relevant to their investments
12. Investors should read and understand all scheme related documents like Statement of Additional Information (SAI), Scheme Information Document (SID), Key Information Memorandum (KIM) and the addenda issued from time to time carefully before investing.

#### **Facility for subscription, redemption and switch of units through stock exchange infrastructure:**

Franklin Templeton offers the facility to subscribe and redeem the units of schemes of Franklin Templeton Mutual Fund through the infrastructure of the National Stock Exchange of India Ltd. ("NSE") and BSE Ltd. ("BSE"). This facility is offered in terms of SEBI circulars and the guidelines issued by NSE and BSE in this regard from time to time.

The salient features of this facility are as follows:

1. Eligible investors – This facility is currently available only to Individuals residing in India and non-individuals incorporated in India. Non- Resident Indians can avail this facility on NSE MFSS Platform, NSE NMF II Platform and BSE StAR MF Platform.

This facility for subscription [fresh purchase, additional purchase and transactions under Systematic Investment Plan (SIP)], redemption and switch of units of the eligible schemes is available for new investors as well as existing investors. Currently, transactions under Systematic Transfer Plan (STP), Systematic Withdrawal Plan (SWP) are available under NSE Platform (NSE NMFII and MFSS) and BSE StAR MF Platform and Pause SIP are available under BSE StAR MF platform and NSE NMF II. In order to facilitate the transactions under this facility, NSE has launched Mutual Fund Service System (“MFSS”) & NMF II and BSE has introduced BSE StAR MF platform. All trading members, clearing members and non-member Mutual Fund Distributors (MFD) who are registered with NSE, BSE and the Association of Mutual Funds in India (“AMFI”) as Mutual Fund Advisors and are empanelled as distributor with Franklin Templeton Asset Management (India) Pvt. Ltd., the AMC, (“Eligible Stock Brokers” / “Eligible Clearing Members”/ “Eligible MFD”) will be eligible to offer this facility to the investors

2. In addition to the above, Registered Investment Advisor (RIA) who are registered under SEBI and are empanelled as distributor with Franklin Templeton Asset Management (India) Pvt. Ltd., the AMC will be eligible to offer this facility to the investors.
3. Eligible investors who are willing to transact under this facility are required to register themselves with the Eligible Stock Broker / Eligible Clearing Members/ Eligible MFD/ Eligible RIA.
4. All the Eligible Stock Brokers, Eligible Clearing Members and Eligible MFD will be considered as the Official Point of Acceptance of Transaction (“OPAT”) for the transaction done under this facility. The cut-off timing and applicability of NAV for the transaction will be determined in accordance with Para 8.4 of SEBI Master Circular on Mutual Funds dated May 19, 2023. The day and time of receipt of the transaction application by FTMF will be based on the time stamping as evidenced by the confirmation slip generated by the stock exchange infrastructure
5. The investors have an option to hold the units in physical form (account statement) or dematerialised form. International Security Identification Numbers (ISIN) in respect of the plans/option of the eligible schemes have been created and admitted in the National Securities Depository Ltd. (“NSDL”) and Central Depository Services (India) Ltd. (“CDSL”). Units shall be allotted in physical form or dematerialised form as per the request of the investor.

7. **For units issued in physical form (represented by Account Statement)**

- 7.1 Investors desirous of transacting (subscription or redemption) through the stock exchange infrastructure should approach an Eligible Stock Broker/ Eligible Clearing Members along with the duly filled in Application Form and other documents (including PAN and KYC) as required. For subscriptions, the payment of subscription money should be made to the Eligible Stock Broker/ Eligible Clearing Members. In case of Eligible MFD, the payment of subscription should be made directly to Clearing corporation (NCCL/ CCL)
- 7.2 Dispatch of Account Statements and payment of redemption proceeds will be made by the Mutual Fund directly to the investor as per the normal service standard. The redemption payout will be made to the investor’s bank account as registered with the AMC based on the information furnished by the investor.

7.3 In case the investor wishes to dematerialise the units held in physical form, the AMC will facilitate the same with the Registrar, Depositories and Depository Participants.

## 8. For units issued in dematerialised form

- 8.1 Investors desirous of investing in dematerialised form need to have a Beneficiary Account with a Depository Participant (DP).
- 8.2 Investors desirous of transacting (subscription or redemption) through the stock exchange infrastructure should place the order with an Eligible Stock Broker or Eligible Clearing Member or Eligible MFD as currently followed for secondary market activities. For subscriptions, the payment of subscription money should be made to the Eligible Stock Broker or the Eligible Clearing Member or the Clearing Corporation. Investors shall receive units through broker/clearing member's pool account. FTMF would credit the units into broker/clearing member's pool account and broker/clearing member in turn to the respective investor's demat account. For subscriptions received through Eligible MFD, the units will be credited directly to Investors scheme Account.
- 8.3 Completion of the PAN, KYC, FATCA, UBO and third party payment verification requirements of the Depository/ Depository Participant will be considered to be adequate compliance with the guidelines issued by SEBI in this regard for investment in mutual funds.
- 8.4 For redemptions, investors shall receive redemption amount through broker/clearing member's pool account. Payment of redemption proceeds will be made by FTMF to the broker/clearing member and broker/clearing member in turn to the respective investor.
- 8.5 For redemption done through Eligible MFD, the redemption amount will be made by FTMF directly to Clearing corporation and in turn to the investor's registered bank account.
- 8.6 Payment of redemption proceeds to the broker/clearing members by FTMF shall discharge FTMF/the AMC of its obligation of payment to individual investor. Similarly, in case of subscription, crediting units into broker/clearing member pool account shall discharge FTMF/the AMC of its obligation to allot units to individual investor.
- 8.7 Additionally, the Depository Participants (DP) of National Securities Depository Ltd. ("NSDL") and Central Depository Services (India) Ltd. ("CDSL") who are registered with the Association of Mutual Funds in India ("AMFI") as Mutual Fund Advisors and are empanelled as distributor with Franklin Templeton Asset Management (India) Pvt. Ltd., the AMC, ("Eligible DPs") can process redemption requests of the investors holding Beneficiary Account with the respective DP, in accordance with the guidelines issued by SEBI/NSDL/CDSL from time to time. For this purpose, all the Eligible DPs will be considered as the Official Point of Acceptance of Transaction ("OPAT") for the redemptions done under this facility. The cut-off timing and applicability of NAV for the transaction will be determined in accordance with the guidelines issued by SEBI/NSDL/CDSL from time to time. For such redemptions, the payment of redemption proceeds will be made by the AMC/FTMF directly to the investor as per the normal service standard and will be made to the investor's bank account based on the information furnished by the depositories.
- 8.8 The Account Statement of the Beneficiary Account with the DP will be sent by the respective DPs as per their service standards. The Account Statement issued by the DPs will be considered as adequate compliance of the requirements specified by SEBI for mutual funds with respect to dispatch of account statement to investors.

8.9 In case the investor wishes to re-materialise the units held in demat form, the AMC will facilitate the same with the Registrar, Depositories and Depository Participants.

9. For any complaints or grievances against the Eligible Stock Broker/Eligible Clearing Member/Eligible MFD with respect to the transactions done through the stock exchange infrastructure, the investor should contact either the concerned Eligible Stock Broker/Eligible Clearing Member or the investor grievance cell of the respective stock exchange. For non-commercial transactions/service requests such as change in address, change in bank mandate, issue of duplicate account statements etc., the investors should approach any of the Franklin Templeton Investor Service Centres in case the units are held in physical form and to their respective Depository Participant (DP) in case the units are held in demat form.
10. Applications which are incomplete or invalid in any respect or are conditional or ambiguous are liable to be rejected.
11. The investors will have to comply with the PAN and KYC requirements as prescribed by SEBI/BSE/NSE/NSDL/CDSL/Franklin Templeton Mutual Fund from time to time.
12. The facility shall be subject to the terms and conditions specified and guidelines issued by SEBI/BSE/NSE from time to time.

Transaction Type	BSE - Physical	BSE - (STAR MFS) Demat	NSE (MFSS)	NSE - NMF - 2
Purchase	√	√	√	√
SIP	√	√	√	√
Pause SIP	√	√	x	√
Switch	√	√	x	√
Redemption	√	√	√	√
STP	√	√	x	√
SWP	X	x	√	√
TIDCW	X	x	x	x
Family Solutions	X	x	x	x

The Trustee/AMC reserves the right to change/modify or discontinue the facility at any time in future.

#### A. Default scenarios available to the investors under plans/options of the Schemes.

The investors must clearly indicate the Plan and Option (Growth - Regular/ Growth- Direct / IDCW - Regular / IDCW - Direct) in the relevant space provided for in the Application Form. In the absence of such instruction, it will be assumed that the investor has opted for the **Default Plan and Option**, which would be as follows:

Scheme	Default Option
TIVF, FIEHF, FIIF, FIBCF, FIFCF, FIOF, FIONF, FIEAF, FIPF, FITF, FIFEF, TIEIF, FAEF, FIDAAF, FBIF, FISCF, FIF-FUSOF, FIF-TEOF, FIGSF, FIMAS, FIBPDF, FIPEP, FIMCF	<ul style="list-style-type: none"> <li>• Growth in case Growth or IDCW is not indicated.</li> <li>• Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income</li> </ul>

and FIBAF	Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.
FICDF	<ul style="list-style-type: none"> <li>• Plan A - Growth in case Growth or IDCW is not indicated.</li> <li>• Plan A - Quarterly IDCW Plan in case Annual, Half-yearly, Quarterly or Monthly IDCW Plan is not indicated</li> <li>• Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.</li> </ul>
FILF	<ul style="list-style-type: none"> <li>• Super Institutional Plan - Growth in case Growth or IDCW is not indicated.</li> <li>• Super Institutional Plan - IDCW Option in case Weekly or Daily IDCW is not indicated</li> <li>• Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.</li> </ul>
FIMMF	<ul style="list-style-type: none"> <li>• Retail Plan - Growth in case Growth or IDCW is not indicated.</li> <li>• Retail Plan Monthly IDCW in case Monthly, Quarterly or IDCW is not indicated</li> <li>• Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated</li> </ul>
FIDHF [Number of Segregated Portfolio-1]	<ul style="list-style-type: none"> <li>• Plan A- Growth in case Growth or IDCW is not indicated.</li> <li>• Plan A -Quarterly IDCW Plan in case Quarterly or Monthly IDCW Plan is not indicated</li> </ul>

	<ul style="list-style-type: none"> <li>Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.</li> </ul>
FIT and FIFRF	Growth in case Growth or IDCW is not indicated.
FIESF	<ul style="list-style-type: none"> <li>Growth in case Growth or IDCW is not indicated.</li> <li>IDCW Option in case IDCW or Monthly or Quarterly Dividend Option is not indicated</li> </ul> <p>Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.</p>

Note: Please refer Annexure III for the expansion of fund name abbreviations.

Regular or Direct Plan as follows:

Scenario	Broker Code mentioned by the investor	Plan mentioned by the investor	Default Plan to be captured
1	Not mentioned	Not mentioned	Direct
2	Not mentioned	Direct	Direct
3	Not mentioned	Regular	Direct
4	Mentioned	Direct	Direct
5	Direct	Not Mentioned	Direct
6	Direct	Regular	Direct
7	Mentioned	Regular	Regular
8	Mentioned	Not Mentioned	Regular

In cases of fresh purchase/additional purchase/switch/SIP & STP Registration requests received from investors with unempanelled/ incomplete ARN codes mentioned on the application form, the application shall be processed under Direct Plan.

The Trustee / AMC reserve the right to alter / vary the default plan / option, after giving notice.

### Instant Redemption Facility

As per Para 14.9 of SEBI Master Circular on Mutual funds dated June 27, 2024, **Instant Redemption Facility ('the facility')** is extended to Growth Option of Franklin India Overnight Fund (FIONF) and Franklin India Liquid Fund (FILF) for redemptions routed through website of Franklin Templeton Mutual Fund.

Under this facility, FIONF & FILF shall endeavour to credit redemption proceeds in the registered bank account of the investor offering Immediate Payment Service (IMPS) on the same day on which valid redemption request has been received. The facility shall be available on all days at all points of time.

The salient features of the facility are mentioned below.

<b>Eligible Investors / Conditions</b>	<p>The facility shall be available subject to the following requirements</p> <ul style="list-style-type: none"> <li>• Indian Resident Individuals</li> <li>• Core Banking System (CBS) and IFSC code are registered in the folio</li> <li>• Investor's registered bank is Immediate Payment Service (IMPS) enabled bank listed at National Payments Corporation of India (NPCI).</li> </ul>
<b>Mode of transaction</b>	The facility shall currently be available only for redemptions routed through the website of Franklin Templeton Mutual Fund.
<b>Minimum Redemption Amount</b>	Minimum redemption shall be Rs. 1000 and in multiples of Re.1
<b>Maximum Redemption Amount</b>	Investors can submit instant redemption request for a maximum of Rs. 50,000 or Redeemable Balance, whichever is lower. This limit is applicable per day per investor per Scheme on the basis of First Holder PAN
<b>Redeemable Balance (refer illustration)</b>	<p>90% of the Current Value of available units</p> <p>Current value of available units shall be the value of available units as per last declared NAV (Number of available units X last declared NAV).</p> <p>Available Units are such units under the Scheme / Plan for which investor can place redemption request at any point of time (excluding units which are not cleared for funds realization or reconciliation, or under lien, or any dematerialized mode or any transaction pending for unit adjustments).</p> <p>The decision of the Franklin Templeton Asset Management (India) Private Limited ('the AMC') in determining the Redeemable Balance shall be final.</p>
<b>Cut-Off timings</b>	If valid Application for Redemption is received upto 3 p.m. - Lower of (i) NAV of previous calendar day and (ii) NAV of calendar day on which application is

	<p>received.</p> <p>If valid Application for Redemption is received after 3 p.m. - Lower of (i) NAV of calendar day on which such application is received and (ii) NAV of the next calendar day.</p>
<p><b>Scenarios under which Instant Redemption Facility may not be available</b></p>	<ul style="list-style-type: none"> <li>• Settlement / clearing issues at RBI / clearing bank.</li> <li>• Liquidity issues in the Scheme.</li> <li>• Unpredictable operational problems and technical failures (e.g., a black out), occurred in spite of appropriate diligence.</li> <li>• In case of IMPS failure (Here the investors are requested to re-submit through website or APP of Franklin Templeton Mutual Fund and the same will be processed as per the salient feature of the facility.</li> </ul> <p>The above scenarios are only indicative, and the AMC / Trustee reserves the right to add / to modify / to change in any other circumstances beyond the control of AMC / Mutual Fund.</p>

Illustration:

Particulars	Scenario 1	Scenario 2
(A) Current Value of available units (Number of available units X last declared NAV)	Rs. 50,000	Rs. 2,00,000
(B) Redeemable Balance (A X 90%)	Rs. 45,000	Rs. 1,80,000
Maximum Redemption Amount (B or Rs. 50,000 whichever is lower)	Rs. 45,000	Rs. 50,000

The Trustee / AMC reserves the right to not process any redemption / switch / systematic withdrawal, or any such other request received through any other mode on any business day, i.e. physical, electronic etc. if an instant redemption request has been received and such instant redemption is pending to be processed.

If instant redemption fails due to any reason, it would be considered as rejection and investor needs to initiate a fresh request.

For more details regarding this facility, investors are requested to visit the website of the Fund [www.franklintempletonindia.com](http://www.franklintempletonindia.com)

The Trustee / AMC reserves the right to change the terms and conditions of this facility / withdraw the facility at any point of time. The Trustee/AMC reserves the right to introduce the facility on other online modes in future. Investors may also redeem their investments in the Scheme through other online and offline modes as currently provided in the Scheme Information Document of the Scheme.

## **VII. RIGHTS OF UNITHOLDERS OF THE SCHEME**

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares an Income Distribution cum Capital Withdrawal (IDCW)/dividend under a scheme, IDCW/ dividend warrants shall be dispatched to the Unit Holders within 7 working days from the record date of IDCW/dividend. Consolidated Account Statement ('CAS') at mutual fund industry level for each calendar month will be issued on or before 15th day of succeeding month to all unit holders having financial transactions and who have provided valid Permanent Account Number (PAN). For folios not included in the CAS, the AMC shall issue a monthly account statement to the unit holders, pursuant to any financial transaction done in such folios; the monthly statement will be send on or before 15th day of succeeding month. In case of a specific request received from the unit holders, the AMC shall provide the account statement to the unit holder within 5 business days from the receipt of such request. If a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 5 Business Days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch redemption or repurchase proceeds within 3 working days of accepting the valid redemption or repurchase request. For schemes investing at least 80% of total assets in such permissible overseas investments, 5 Working Days of accepting the valid redemption or repurchase request. Further, in case of exceptional scenarios as prescribed by AMFI vide its communication no. AMFI/ 35P/ MEM-COR/ 74 / 2022-23 dated January 16, 2023, read with clause 14.1.3 of SEBI Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 (SEBI Master Circular), the AMC may not be able to adhere with the timelines prescribed above.
4. Consolidated Account Statement for each calendar month reflecting the new or additional subscription as well as redemption or switch of units during the month shall be despatched to the unitholder within fifteen days of succeeding month. Provided if a unitholder so desires the Mutual Fund shall issue a Unit Certificate (non - transferable) within 30 days of the receipt of request for the certificate.
5. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
6. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
7. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.

### **Procedure for unitholder approval**

The Trustee shall obtain the consent of the Unit holders:

- a. whenever required to do so by SEBI, in the interest of the Unit holders.

- b. whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
- c. when the majority of the trustees decide to wind up a scheme in terms of clause (a) of sub regulation (2) of regulation 39 of SEBI (Mutual Funds) Regulations, 1996 or prematurely redeem the units of a close ended scheme.

The trustees shall ensure that no change in the fundamental attributes of any scheme, the fees and expenses payable or any other change which would modify the scheme and affect the interest of the unit holders is carried out by the asset management company, unless it complies with sub-regulation (26) of regulation 25 of SEBI (Mutual Funds) Regulations, 1996.

Please note that the **following are the fundamental attributes of the scheme:**

- Type of scheme
  - Investment objective
  - Investment pattern, minimum and maximum asset allocation
  - Liquidity provisions such as repurchase or redemption
  - Aggregate fees and expenses charged to the scheme
8. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.

## **VIII. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS**

### **A) Valuation Policy**

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII to the SEBI (MF) Regulations, or such norms as may be prescribed by SEBI from time to time. SEBI has vide Notification dated February 21, 2012 and circular no. Cir/IMD/DF/6/2012 dated February 28, 2012 introduced the over-arching principle of 'fair valuation' of securities wherein valuation should be reflective of the realizable value'. As per the Notification, a valuation policy has been framed and the same has been approved by the Board. The broad valuation norms are detailed below.

#### **Objective of the Policy:**

The objective of this Policy is to set the broad valuation norms to enable Franklin Templeton Asset Management (India) Pvt. Ltd (FTAMIL/AMC) to value the investments of the Schemes of Franklin Templeton Mutual Fund (FTMF) in accordance with the overarching principles of 'fair valuation' or such other principles/regulations as may be prescribed by SEBI from time to time so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time.

#### **Valuation Methodologies**

- The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets.

- The methodologies for valuing different type of securities are mentioned in Annexure I to the SAI.
- Investment in any new type of security shall be made only after establishment of the valuation methodology for such type of security with the approval of the AMC Board.

**Inter-scheme transfers:**

Transfer of securities thru inter-scheme shall be at market price or fair valuation price.

**Prevention & Detection of incorrect valuation:**

The AMC shall put in place policies and procedures to prevent and detect incorrect valuation.

**Conflict of Interest:**

In case if any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and the Committee shall endeavor to resolve the same such that the valuation provides for fair treatment to all investors including existing and prospective investors.

**Exceptional events/ circumstances:**

Following events could be considered as ‘exceptional events/ circumstances’:

- Major policy announcement by Central/State Government or Central Bank or SEBI;
- Natural disasters, public disturbances, riots, war, global events etc., that may force market not to function normally;
- Absence of trading in specific security or similar securities;
- Significant volatility in the stock markets;
- Closure of the stock market of a particular country ;
- Events which lead to lack of availability of accurate or sufficient information to value the securities.

The above mentioned list is only indicative and may not reflect all the possible exceptional events/circumstances.

In case of exceptional events, the valuation committee shall assess the situation and recommend appropriate method of valuation for the impacted securities.

**Deviation:**

The investments of the FTMF schemes shall be valued as per the methodologies mentioned in this Policy, which shall endeavor true and fairness in valuing them. However, if the valuation of any particular asset/security does not result in fair/ appropriate valuation or under exceptional circumstances, the Valuation Committee would have the right to deviate from the established policies in order to value the asset/ security at fair /appropriate value.

Deviations from the valuation policy, if any, will be informed to the AMC and Trustee Board and will be communicated to the investors vide appropriate disclosures on the Mutual Fund’s website as detailed below

- a. The rationale for deviation along-with details such as information about security (ISIN, issuer name, rating etc.) price at which the security was valued vis-à-vis the price as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and percentage term) shall be disclosed immediately and prominently, under a separate head on the website.
- b. Further, while disclosing the total number of instances of deviation in the monthly and half yearly portfolio statements, the website link of the aforementioned disclosure shall be provided.

#### **Valuation Committee Members:**

The Valuation Committee shall constitute of the following representatives.

- President
- Chief Investment Officer- Fixed Income
- Chief Investment Officer- Equity
- Chief Risk Officer
- Compliance Officer and
- Vice President – Global Fund Accounting & Reporting

#### **Review:**

The Valuation Committee shall at least annually review the Valuation Policy and apprise the AMC & Trustee Boards.

The Valuation Policy shall also be reviewed by Independent Auditors at least once a Financial Year to ensure the appropriateness of the valuation methodologies and to suggest alternative methods, if any.

#### **Retention of records:**

Documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved by the asset management company as per regulation 50 of these regulations to enable audit trail.

#### **Disclosure of the policy:**

The Valuation policy approved by the AMC Board shall be disclosed in Statement of Additional Information (SAI) on the Mutual Fund's website and any other document as may be prescribed by SEBI from time to time.

### **COMPUTATION OF NAV**

#### **A. Policy of computation of NAV**

Valuation of the scheme's assets and calculation of the scheme's NAV will be subject to such rules or regulations that SEBI may prescribe from time to time and shall be subject to audit on an annual basis.

The disclosure on valuation norms, computation and publication of NAV, repurchase & sale price and accounting policies shall conform to the relevant provisions of the SEBI Regulations. Accordingly, the following principles will be adopted:

### **Net Asset Value calculation**

The Net Asset Value (NAV) is the actual value of a Unit and is computed as shown below:

<b>NAV</b> =	Market Value of the scheme's investments + other assets (including accrued interest) - all liabilities except unit capital & reserves
<b>(Rs. Per unit)</b>	Number of units outstanding at the end of the day

The NAV will be computed for each Business Day of the scheme and will be calculated to four decimals using standard rounding criteria. In case of liquid and overnight schemes, the NAV will be calculated for every calendar day.

### **B. Policy for computation of NAV in foreign securities**

Refer **Annexure I** for Valuation of Foreign Securities

### **B. Procedure in case of delay in disclosure of NAV**

NAV of all Mutual Fund schemes, except for Fund of Fund Schemes and Schemes Investing in overseas securities, shall be updated on AMFI's website and the Mutual Funds' websites by 11:00 p.m. of the same day.

In the case of Fund of Fund Schemes shall have an extended time up to 10 a.m. the following business day in this regard.

In the case of Schemes Investing in overseas securities, the prices of overseas securities would be determined as per a different time zone, the Scheme(s) may declare the NAV for a Business Day by the following Business Day by 10:00 a.m.

Delay beyond the timelines mentioned above shall be explained in writing to AMFI. Mutual Funds shall report in the quarterly Compliance Test Reports (CTRs) the number of days when mutual funds were not able to adhere to the above-mentioned time limit for uploading their NAVs on the AMFI website with reasons thereof and the corrective action taken by the AMC to reduce the number of such occurrences.

In case the NAVs are not available before the commencement of business hours on the following day due to any reason, Mutual Funds shall issue a press release giving reasons for the delay and explain when they would be able to publish the NAVs

## **IX. TAX & LEGAL & GENERAL INFORMATION**

### **A. Taxation on investing in Mutual Funds**

**The information provided below is for general information purpose only and is based on the advice obtained by Franklin Templeton. The disclosures in respect of the tax implications are in**

accordance with the prevailing tax laws and there can be no assurance or guarantee that the tax implications prevailing at the time of investment in the scheme will endure indefinitely.

Further statements with regard to tax implications mentioned herein below are mere expressions of opinion and are not representations of the mutual fund to induce any investor to acquire units of the schemes of the mutual fund. The prospective investors should not treat this information as advice relating to taxation or investment or any other matter. In view of the individual nature of the implications, each investor is advised to consult with his or her own tax advisors/authorised dealers with respect to the specific tax and other implications arising out of his or her participation in the schemes.

the specific tax and other implications arising out of his or her participation in the schemes.

## I. TAX IMPLICATIONS ON INVESTORS

### Under the Income Tax Act, 1961 (the Act)

The following summary outlines the key tax implications applicable to unit holders based on the relevant provisions under the Act.

The tax implications of the following income received by the investors are discussed below:

- i) Income on units (other than sale/redemption);
- ii) Income on sale/redemption of the units.

#### **Taxability of income on units (other than sale/redemption):**

Currently, dividend is taxable in the hands of the unitholders at the applicable tax slab rates (Refer **Note 1** for tax rates) and also, subject to withholding of taxes at source by the Mutual Fund at following rates:

Particulars	Tax Implications in Dividend received by unit holders	Withholding of Taxes by Mutual Fund
Resident (Individuals / Non-corporates / Corporates)	Taxed in the hands of unitholders at applicable rate under the provisions of the Act (Refer <b>Note 1</b> )	10% under section 194K of the Act*
Non-residents (Individuals / Non-corporates / Corporates)**	Taxed in the hands of unitholders at the rate of 20% under section 115A of the Act (plus applicable surcharge and health and education cess [Refer <b>Note 2</b> ]).	20% (plus applicable surcharge and health and education cess [refer <b>Note 2</b> ]) u/s 196A/ 196D of the Act

\*As per provision of section 194K of the Act, where the amount of income credited or paid in a financial year, in aggregate, does not exceed Rs.5,000, no withholding is required to be carried out. However, the scheme shall be withholding tax when the aggregate amount in financial year at Permanent Account Number (PAN) level exceeds Rs.4,000.

Further, where any person furnishes a NIL/ lower withholding certificate obtained under section 197 of the Act/ certificate in Form 15G/ Form 15H of the Act, the same can be considered for withholding tax purposes.

\*\* Taxability in the hands of non-resident Individuals / non- resident non-corporates / non-resident corporates shall be subject to Double Taxation Avoidance Agreement (“DTAA” or “tax treaty”) benefits which can be claimed in the return of income to be filed by such investors. Further, such DTAA benefit may also be claimed at the time of withholding of taxes (subject to requisite documents for claiming DTAA benefit made available by investor to the Mutual Fund). The investors should obtain specific advice from their tax advisors regarding the availability of the tax treaty benefits.

Further, unitholders can claim deduction of interest expense incurred if any, against income from units and such deduction shall not exceed 20% of income from units under section 57 of the Act.

### **Provisions regarding Bonus stripping in certain circumstances**

In case of units purchased within a period of 3 months prior to the record date (for entitlement of bonus) and sold/transferred (including redeemed) within 9 months after such date, the loss arising on transfer of all or any such units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be treated as cost of acquisition of such bonus units.

### **Taxability of income on sale/redemption of units:**

The taxability of the income on sale/redemption of units and the rates at which such income is taxed is provided below:

#### ***If the units are held as stock-in-trade:***

If the units are held by an investor as stock-in-trade of a business, the said income will be taxed at the rates at which the normal income of that investor is taxed. The rates applicable to different investors are discussed at length in **Note 1**.

On sale of the units of an equity oriented mutual fund (as defined below in **Note 3**) on a recognised stock exchange or to the Mutual Fund, the investor will also be charged with securities transaction tax (“STT”) as per the rates specified in the Para on STT, provided the transaction is also considered as a taxable securities transaction (as defined below in **Note 3**). In other cases, STT is not levied.

Any amount of STT paid in respect of taxable securities transactions entered into the course of business shall be allowed as deduction in computing “business income” in respect of such taxable securities transactions. [Section 36(1)(xv)]

#### ***If the units are held as investments:***

### **On units of Equity Oriented Funds:**

If the units are held as investments, the tax rates applicable to the unit holder will depend on whether the gain on sale of units is classified as a short term capital gain or a long term capital gain. As per section 2(29AA) read with section 2(42A) of the Act, unit of an equity oriented mutual fund held as capital asset is treated as long-term capital asset if it is held for a period of more than twelve months preceding the date of transfer; in all other cases, they would be treated as short-term capital assets.

The tax rates applicable on short term or long term capital gains arising on transfer of units of a scheme, being an *equity oriented mutual fund* are stated in the following table:

Nature of income	Tax rate <sup>§</sup>
Short-term capital gains on sale either to the Mutual Fund or on a recognised stock exchange taxable under section 111A of the Act	Capital gains tax to be payable at 15 percent* <sup>§</sup>
Long- term capital gains on sale either to the Mutual Fund or on a recognised stock exchange taxable under section 112A of the Act	Capital gains tax to be payable at 10 percent* <sup>§</sup> where such capital gains exceed Rs.1,00,000 in a financial year

\* plus applicable surcharge and health and education cess (refer **Note 2**). In case of non-resident investors, the above rates would be subject to applicable tax treaty relief.

<sup>§</sup> The above beneficial rates should be applicable only in a case of sale/redemption of units of equity oriented fund where transaction is chargeable to STT.

As per section 112A read with section 55(2)(ac) of the Act for the purpose of computing capital gains in relation to a long-term capital asset, being a unit of an equity oriented fund, acquired before

1 February 2018, the cost of acquisition is deemed to be the higher of:

- The cost of acquisition of such unit; and
- The lower of –

(a) the fair market value of the unit; and

(b) the full value of consideration received or accruing as a result of the transfer of the unit.

Fair market value has been defined to mean –

a) in a case where the unit is listed on any recognized stock exchange, the highest price of the unit quoted on such exchange on 31 January 2018. However, where there is no trading in such unit on such exchange on 31 January 2018, the highest price of such unit on such exchange on a date

immediately preceding the 31 January 2018 when such unit was traded on such exchange shall be the fair market value.

b) in a case where the capital asset is a unit and is not listed on recognized stock exchange as on 31 January 2018, the net asset value of such unit as on 31 January 2018.

**On units of funds other than Equity Oriented Funds:**

As per section 2(29AA) read with section 2(42A) of the Act, units of a mutual fund (other than an equity oriented fund) held as capital assets for a period of 36 months or more immediately preceding the date of their transfer are regarded as long-term capital assets; in all other cases, they would be treated as short-term capital assets.

**(a) Capital Gains on specified mutual funds** (as defined below in **Note 3**)

As per section 50AA of the Act, gains arising on transfer, redemption or maturity of specified mutual funds acquired on or after 1 April 2023 will deemed to be ‘short-term capital gains’ (regardless of the period of holding) and taxable at the applicable rates (refer tax rates applicable to short term capital gains in Table provided in point (b) below).

Gains arising on transfer, redemption or maturity of specified mutual funds which were acquired before 1 April 2023 and are held for a period of more than 36 months shall be taxable as long-term capital gains taxable at rates specified in Table provided in point (b) below.

**(b) Capital Gains on other than specified mutual funds**

The tax rates applicable on short term or long term capital gain arising on transfer of units of a *scheme, not being an equity oriented mutual fund or not being a specified mutual fund* as discussed above are stated in the following table:

<b>Nature of income</b>	<b>Tax rate</b>
Short-term capital gains	In case of FPIs, 30 percent*  For others, taxed at normal tax rates (as explained in <b>Note 1</b> ).
Long-term capital gains	In case of FPI's, 10 percent* (without indexation)  In case of other non-residents: <ul style="list-style-type: none"> <li>• For listed securities 20 percent* (with indexation)</li> <li>• For unlisted securities - 10 percent* (without indexation),</li> </ul> In case of residents, 20 percent* (with indexation)

\* plus applicable surcharge and health and education cess (refer **Note 2**). In case of non-resident investors, the above rates would be subject to applicable treaty relief.

Any income, including gains from redemption of units of scheme of Mutual Fund, received by any person for, or on behalf of, the New Pension System Trust<sup>1</sup>, is exempt in the hands of such person under section 10(44) of the Act.

The withholding tax implication (i.e. TDS) in respect of the capital gains explained above is discussed below:

*(a) Resident Investors:*

No tax is required to be deducted at source from capital gains arising to resident investors at the time of repurchase or redemption of the units.

*(b) Non-Resident Investors:*

As per the provisions of Act [Section 195], tax is required to be deducted at source from the sale proceeds or redemption proceeds paid to non-resident investors. This withholding is in addition to the STT payable, if any, by the investor. Subject to furnishing of the unit holder's PAN to the Fund, the rates are:

- (i) *FPI:* As an exception, no tax has to be deducted on redemption/sale proceeds payable to FPIs [Section 196D(2)].
- (ii) *Non-Resident Indian ('NRI') / Person of Indian origin ('PIO')/ Other Non Resident Individuals:* Tax on short term capital gains arising out of redemption of units of an equity oriented mutual fund is deducted at the rate of 15 per cent<sup>2</sup> and at 30 per cent<sup>2</sup> for a non-equity oriented mutual fund as well as a specified mutual fund. Tax on long term capital gains arising out of redemption of units of a non-equity oriented mutual fund is deducted at the rate of 20 per cent<sup>2</sup> in case of listed units (capital gains to be calculated with indexation) and 10 per cent<sup>2</sup> in case of unlisted units (capital gains to be calculated without indexation). Tax is deducted at 10 per cent<sup>2</sup> in case of long-term capital gains on redemption of units of an equity oriented mutual fund.
- (iii) *Non-Resident Corporates/ Others:* Tax on short-term capital gains arising out of redemption of units in a mutual fund other than equity oriented mutual fund and units in a specified mutual fund is deducted at the rate of 40 per cent<sup>2</sup> in case of non-resident corporate and 30 per cent<sup>2</sup> in case of other non-resident. On long-term capital gains in case of units other than units in an equity oriented mutual fund, tax is deducted at the rate of 20 per cent<sup>2</sup> in case of listed units (capital gains to be calculated with indexation) and 10 per cent<sup>2</sup> in case of unlisted units (capital gains to be calculated without indexation). In case of short term capital gains from units in an equity oriented fund, tax is deducted at the rate of 15 per cent<sup>2</sup>. Tax is deducted at 10 per cent<sup>2</sup> in case of long term capital gains on redemption of units of an equity oriented fund.

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<sup>1</sup> As established under the provisions of Indian Trusts Act, 1882 (2 of 1882), on 27 February 2008.

<sup>2</sup> The said rates at which capital gains are charged to tax would be further increased by the applicable surcharge and health and education cess stated in **Note 2** below.

- (iv) In relation to 'specified mutual fund' referred in point (ii) and point (iii) above, tax shall be withheld at the following rates on the gains arising on transfer, redemption or maturity of specified mutual funds which were acquired before 1 April 2023 and are held for a period of more than 36 months in case of non-resident unitholders:

<b>Particulars</b>	<b>Withholding rates</b>
Listed funds	20% with indexation benefit in respect of cost of acquisition  (plus applicable surcharge and health and education cess [refer note 2])
Unlisted funds	10% without foreign currency and indexation benefit in respect of cost of acquisition  (plus applicable surcharge and health and education cess [refer note 2])

- (v) All the above non-resident investors may also claim the tax treaty benefits available, if any. For details of applicability and eligibility of such benefits, the investors are requested to consult their tax advisors.

As per the provisions of section 206AA of the Act, the Mutual Fund would be obliged to withhold tax at penal rates of TDS in case of payments to investors who have not furnished their PAN to the Mutual Fund. The penal rate of TDS is higher of 20 per cent or rate specified under the relevant provisions of the Act or rates in force, plus applicable surcharge and health and education cess (refer **Note 2**).

As per Rule 37BC of the Income Tax Rules, 1962 (Rules), the provisions of section 206AA of the Act shall not apply to non-resident, not being a foreign company, or a foreign company in respect of payments made to them in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the non-resident provides the following details to the payer:

- (i) name, email id, contact number;
  - (ii) address in the country or specified territory outside India of which the non-resident or foreign company is a resident;
  - (iii) a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
  - (iv) Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.
- (v) which he claims to be a resident.

*Other relevant provisions*

**a) Eligible foreign investors**

The Securities and Exchange Board of India (SEBI) has notified the SEBI (Foreign Portfolio Investors) Regulations, 2014 wherein it merged Foreign Institutional Investors (FIIs), sub accounts and Qualified Foreign Investors (QFIs) into a single category, referred to as FPI, with the objective of rationalizing investments made by FIIs and QFIs. The term FPI has been defined to refer to a person who satisfies the eligibility criteria prescribed under FPI Regulations and has been registered thereunder.

FPIs may function as investors or fund manager. FPIs can invest *inter alia* in units of mutual funds.

Furthermore, SEBI has specifically permitted investments made by FPIs in bonds issued by infrastructure finance companies and debt funds as well as bonds, including rupee-denominated credit enhanced bonds.

A notification has been issued by the CBDT stating that for the purposes of taxation an FPI shall be deemed to be an FII and taxed accordingly.

#### *b) Alternate Minimum Tax ("AMT")*

The Act has extended the levy of AMT to tax unit holders (other than companies) to pay AMT at the rate of 18.5 percent on the adjusted total income. In a situation where the income-tax computed as per normal provisions of the Act is less than the AMT on "adjusted total income", the unit holder shall be liable to pay tax as per AMT at the rate of 18.5 percent. "Adjusted total income" for this purpose is total income before giving effect to the deductions claimed under heading C of chapter VI-A (other than section 80P), deduction claimed, if any, under section 10AA and deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed. AMT will not apply to an Individual, HUF, AOP, BOI or an Artificial Juridical Person if the adjusted total income of such person does not exceed Rs.20 lakhs. As per sub-section (5) to section 115JC of the Act, the provisions of AMT shall not be applicable in case of any person who has been taxed as per the provisions of section 115BAC of the Act. Further, the credit of AMT can be further carried forward to fifteen subsequent years and set off in the year(s) where regular income tax payable exceeds the AMT.

Further it has been provided that the Foreign Tax Credit (FTC) claimed against AMT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under AMT.

#### *c) Minimum Alternate Tax (MAT)*

Section 115JB of the Act provides that a company is subject to provisions of MAT. Where the tax payable as per the regular provisions of the Act is less than 15 per cent of the book profits computed under the said provisions, tax shall be payable at the rate of 15 per cent (of the book profit) plus applicable surcharge and health and education cess (refer **Note 2**).

The above provisions of section 115JB of Act shall not be applicable to domestic companies opting for concessional tax regime, *inter alia* rate of tax under section 115BAA and section 115BAB of the Act (refer **Note 1** for detailed discussion of section 115BAA and section 115BAB of Act).

As per the section 115JAA of the Act, a tax credit (being the difference of taxes paid under MAT and the amount of taxes payable by the tax payer under the regular provisions of the Act) is allowed to be carried forward for fifteen years immediately succeeding the assessment year in which tax credit becomes allowable. The tax credit can be set-off in a year when the tax becomes payable on the total income is in accordance with the regular provisions of the Act and not under MAT.

As per section 115JB of the Act, the amount of income accruing or arising to a foreign company from capital gains arising on transactions in securities or interest, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII of the Act, shall be excluded from the purview of MAT, if such income is credited to the Profit and Loss Account and the tax payable on such income under the normal provisions is less than the MAT rate of 15%. Consequently, corresponding expenses shall also be excluded while computing MAT.

Further, an Explanation to section 115JB of the Act clarifies that, provisions of MAT will not apply to a foreign company if:

- a) It is a resident of a country with which India has a DTAA and the company does not have a permanent establishment in India in accordance with the provisions of such DTAA; or
- b) it is a resident of a country with which India does not have a DTAA and the foreign company

is not required to register under any law applicable to companies.

The Act has provided that the FTC claimed against MAT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under MAT.

#### *d) Taxability of non-resident investors*

In case of non-resident unit holder who is a resident of a country with which India has signed a DTAA (which is in force), income tax is payable at the rates provided in the Act, as discussed above, or the rates provided in such tax treaty, if any, whichever is more beneficial to such non-resident unit holder.

For non-residents claiming such tax treaty benefits, the Act mandates the obtaining from the home country tax authority of a tax residency certificate ('TRC') in a format to be prescribed.

Where the required information<sup>3</sup> is not explicitly mentioned in the TRC, the assessee shall be required to provide self-declaration in Form 10F in the prescribed format prescribed as per Rule 21AB of the Rules.

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<sup>3</sup> - Status (individual, company, firm etc) of the taxpayer;

- Nationality (in case of an individual) or country or specified territory of incorporation or registration (in case of others);

- Taxpayer's tax identification number in the country or specified territory of residence (In case there is no such number, then, a unique number on the basis of which the person is identified by the Government of the country or the specified territory of which the taxpayer claims to be a resident);

- Period for which the residential status, as mentioned in the certificate of residence is applicable; and

The non-residents shall be required to keep and maintain the aforesaid documents (i.e. TRC and Form 10F) in order to substantiate the claim of tax treaty benefits.

As per the provisions of section 115A of the Act, where the income of a non-resident (not being a company) or a foreign company comprises of *inter-alia* dividend or interest income and appropriate taxes have been withheld in accordance with the provisions of Chapter XVII-B of the Act on such income by the payer, such non-resident is not required to furnish the return of income under section 139(1) of the Act.

*e) General Anti Avoidance Rules (GAAR)*

The provisions of General Anti Avoidance Rule (GAAR) are from 1 April 2017. Further, investments made up to 31 March 2017 would be protected from the applicability of GAAR.

*f) Consolidation of mutual fund schemes*

Section 47 of the Act deals with transactions not regarded as transfer for the purpose of computing capital gains chargeable to tax under the provisions of the Act. Section 47 of the Act provides that transfer by a unit holder of units held by him on consolidation of schemes of a mutual fund shall not be treated as a transfer provided they are allotted units in the consolidated scheme of the mutual fund. The aforesaid exemption is provided only where the consolidation is of two or more schemes of an equity oriented fund or two or more schemes of a non-equity oriented fund.

Accordingly, Explanation 1 to Section 2(42A) of the Act relating to the period of holding has been amended to provide that the period of holding of the units of the consolidated scheme shall include the period for which the units in the consolidating scheme were held by the assessee.

Similarly, section 49 of the Act relating to the cost of acquisition of a capital asset has also been amended to provide that the cost of acquisition of the units of the consolidated scheme shall be deemed to be the cost of acquisition of the units in the consolidating scheme.

Section 47 of the Act also provides that transfer by a unit holder of units held by him on consolidation of plan of a mutual fund scheme shall not be treated as a transfer provided they are allotted units in the consolidated plan of that scheme of the mutual fund.

The provisions of the Act have provided that the cost of acquisition of the units in the consolidated plan of mutual fund scheme shall be the cost of units in the consolidating plan of mutual fund scheme and the period of holding of the units in the consolidated plan of mutual fund scheme shall include the period for which the units in the consolidating plan of mutual fund scheme were held by the assessee.

*g) Segregation of mutual fund schemes*

SEBI has, vide circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. As per the SEBI circular, all the existing unit holders in the affected 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. Accordingly, on segregation, the unit holders hold same number of units in two schemes –the main scheme and segregated scheme

Explanation 1 to Section 2(42A) of the Act relating to the period of holding provides that the period of holding of the units of the segregated scheme shall include the period for which the units in the main scheme were held by the assessee.

Similarly, section 49(2AG) of the Act provides that the cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios.

Also, section 49(2AH) of the Act provides that the cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount so arrived at under section 49(2AG) of the Act.

*h) TDS for non-filers of return of income at higher rates*

Section 206AB of the Act, provides higher rates of withholding tax where the recipient (being a specified person):

- has not filed the return of income for the assessment year ("AY") relevant to the previous year immediately prior to the financial year in which tax is required to be deducted,
- has an aggregate of tax deducted at source and tax collected at source of Rs.50,000 or more in the said previous year; and
- for whom the time limit of filing return of income under Section 139(1) of the Act has expired.

Where the recipient qualifies as a specified person under section 206AB of the Act, withholding shall be higher of the following:

- twice the rate specified in the relevant provision of the Act; or
- twice the rate or rates in force; or
- the rate of 5%

Further, where provisions of section 206AA of the Act is applicable to a specified person, in addition to the provision of section 206AB of the Act, the tax shall be deducted at higher of the two rates provided in section 206AB of the Act and in section 206AA of the Act.

However, specified person shall not include:

- non-residents who do not have a permanent establishment in India, or
- a person who is not required to furnish the return of income for the assessment year and is notified by the Central Government in the Official Gazette in this behalf.

i) *PAN becoming inoperative*

Rule 114AAA of the Rules provides that where an individual does not link his PAN with his Aadhaar number, then PAN of such a taxpayer shall become inoperative and consequences for not furnishing, intimating or quoting of PAN under the Act shall be applicable. The consequences of an inoperative PAN, with effect from 1 July 2023, shall be as under:

- (i) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;
- (ii) interest shall not be payable on such refund for the period, beginning with the date specified under sub-rule (4) and ending with the date on which it becomes operative;
- (iii) where tax is deductible under Chapter XVIIB in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;
- (iv) where tax is collectible at source under Chapter XVII-BB in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC:

Also, Rule 114AAA of the Rules provides that once PAN (which has become inoperative) and Aadhaar are linked, the same shall become operative within thirty days from the date of intimation of Aadhaar number. A fee of Rs.1,000 for failure to link PAN with Aadhaar continues to apply.

Separately, Central Board of Direct Taxes (CBDT) vide Notification No. 37/2017, F. No. 370133/6/2017-TPL, dated 11 May 2017 has clarified that provisions of section 139AA of the Act shall not apply to an individual who does not possess the Aadhaar number or the Enrolment ID and is a non-resident as per the Act. Given that provisions of section 139AA of the Act does not apply to a non-resident, consequently, the provisions of Rule 114AAA of Rules shall also not apply.

**Note 1:**

**Resident Individuals and Hindu Undivided Families**

The individuals and HUFs, are taxed in respect of their total income at the following rates as per old tax regime:

<b>Slab</b>	<b>Tax rate *</b>
Total income up to Rs.250,000#	Nil
More than Rs.250,000# but up to Rs.500,000@	5 percent of excess over Rs.250,000
More than Rs.500,000 but up to Rs.1,000,000	20 percent of excess over Rs. 500,000 + Rs.12,500 <sup>s</sup>
Exceeding Rs.1,000,000	30 percent of excess over Rs 1,000,000 + Rs.112,500 <sup>s</sup>

\* (plus applicable surcharge and health and education cess [Refer **Note 2**]).

@A resident individual (whose total income does not exceed Rs.500,000) can avail rebate under section 87A. It is deductible from income tax before calculating health and education cess. The amount of rebate available would be 100% of income-tax chargeable on his total income or Rs.12,500, whichever is less.

# for resident senior citizens of sixty years of age and above but below eighty years of age, Rs. 250,000 has to be read as Rs. 300,000 and for resident senior citizens of eighty years of age 'and above Rs.250,000' has to be read as Rs. 500,000.

§Similarly for resident senior citizens of sixty years of age and above but below eighty years of age, Rs. 12,500 has to be read as 10,000 and Rs.112,500 has to be read as Rs. 110,000. And for resident senior citizens of eighty years of age and above Rs. 12,500 has to be read as Nil and Rs. 112,500 has to be read as Rs. 100,000.

Section 115BAC of the Act provides individuals and HUFs new tax regime<sup>4</sup> in respect of their total income at the following rates:

Slab	Tax rate*
Total income up to Rs.300,000@	Nil
More than Rs.300,000 but up to Rs.600,000@	5 percent of excess over Rs.300,000
More than Rs.600,000 but up to Rs.900,000@	10 percent of excess over Rs.600,000 + Rs.15,000
More than Rs.900,000 but up to Rs.1,200,000	15 percent of excess over Rs.900,000 + Rs.45,000
More than Rs.1,200,000 but up to Rs.1,500,000	20 percent of excess over Rs. 1,200,000 + Rs.90,000
Exceeding Rs.1,500,000	30 percent of excess over Rs 1,500,000 + Rs.150,000

\* (plus applicable surcharge and health and education cess [Refer **Note 2**]).

@A resident individual (whose total income does not exceed Rs.700,000) can avail rebate under section 87A. It is deductible from income tax before calculating health and education cess. The amount of rebate available would be 100% of income-tax chargeable on his total income or Rs.25,000, whichever is less.

Further, marginal relief is available to the extent incremental income tax liability exceeds incremental income in excess of Rs.7,00,000 if the resident individual has opted for new tax-regime.

The above tax regime shall be subject to conditions and other proviso laid down under the section 115BAC of the Act.

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<sup>4</sup> New tax regime will become the default regime and accordingly, taxpayer needs to specifically opt for old tax regime (if proposed to be opted)

## Indian Companies

The tax rates applicable would be 30 percent (plus applicable surcharge and health and education cess [refer **Note 2**])

In case of a domestic company, where the total turnover or gross receipts of such company for financial year 2022-23 does not exceed Rs 400 crores, the rate of tax shall be 25 percent (plus applicable surcharge and health and education cess– see **Note 2**).

Section 115BAA of the Act provides that, domestic companies shall have an option to pay income tax at the concessional rate of 22 percent (plus surcharge of 10 percent and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge) subject to the following conditions:

- no profit or investment linked deduction shall be availed under section 10AA, 32(1)(ia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(ia), 35(1)(iii), 35(2AA), 35(2AB), 35CCC, 35CCD or provisions of Chapter VI-A other than the provisions of section 80JJAA or section 80M;
- no set off of brought forward loss of any earlier assessment years, if such loss is attributable to any of the deductions referred to in above condition. Such losses are deemed to have been given effect to and no further deduction shall be allowed; and
- shall claim the depreciation under section 32, if any, except additional depreciation under section 32(1)(ia), determined in such manner as may be prescribed.

Certain additional points to be considered before opting for the provisions of section 115BAA of the Act are as below:

- Concessional rate of 22 percent shall not be applicable on incomes which are taxable at special rates.
- Provisions in relation to MAT under section 115JB of the Act shall not be applicable.
- Such option shall be exercised on or before the due date of filing the return of income under section 139(1) of the Act.
- Such option once exercised, cannot be subsequently withdrawn.

Further, section 115BAB of the Act provides that domestic companies engaged solely in the business of manufacture/ production of any article/thing as the case may be, its related research or distribution and setup and registered on or after 1 October 2019 and who commences manufacturing or production up to 31 March 2024, will have an option to avail a lower tax rate of 15 percent (plus surcharge of 10 percent and an additional surcharge by way of health and education cess of 4 percent on the amount of tax plus surcharge) subject to the following conditions.

- It is not formed by splitting-up/ reconstruction of a business already in existence;
- It should not use the following assets:
  - Any plant or machinery previously used in India in value exceeding 20% of total value of plant or machinery;
  - Any building previously used as a hotel/ convention centre in respect of which deduction under section 80ID of the Act has been claimed and allowed

- no profit or investment linked deduction shall be availed under section 10AA, 32(1)(ia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(ia), 35(1)(iii), 35(2AA), 35(2AB), 35CCC, 35CCD or provisions of Chapter VI-A other than the provisions of section 80JJA or section 80M;
- no set off of any carried forward losses and unabsorbed depreciation available under section 72A of the Act by virtue of amalgamation/demerger or any other restructuring where such loss/depreciation is attributable to any of the deduction referred above ; and
- shall claim the depreciation under section 32, if any, except additional depreciation under section 32(1)(ia), determined in such manner as may be prescribed.

Certain additional points to be considered before opting for the provisions of the new section 115BAB of the Act are as below:

- Concessional rate of 15 percent shall not be applicable on incomes which are taxable at special rates.
- Provisions in relation to MAT under section 115JB of the Act shall not be applicable.
- Such option shall be exercised on or before the due date of filing the return of income under section 139(1) of the Act.
- Such option once exercised, cannot be subsequently withdrawn.

Income-tax payable in respect of income from short-term capital gains from transfer of capital asset on which no depreciation is allowable under the Act shall be computed at the rate of 22 percent (plus applicable surcharge and health and education cess [refer **Note 2**]).

### Foreign Companies

The tax rate applicable to foreign companies is 40 per cent [plus applicable surcharge and health and education cess - Refer **Note 2**].

### Partnership Firms & LLP's

The tax rates applicable would be 30 percent (plus applicable surcharge and health and education cess [refer **Note 2**]).

### Note 2: Surcharge (as applicable to the tax charged on income)

Assessee	Rate of surcharge applicable
Non-corporate taxpayers (Other than firms and co-operative societies), when income does not exceed Rs 5,000,000	No basic surcharge.
Non-corporate taxpayers being firms and co-operative societies, when income does not exceed Rs 10,000,000	
Non-corporate taxpayers (Other than firms and co-operative societies), when income (including dividend <sup>#</sup> and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act) exceeds Rs	10 percent basic surcharge.

Assessee	Rate of surcharge applicable
5,000,000 but does not exceed Rs 10,000,000	
Non-corporate taxpayers, (Other than firms and co-operative societies), when income (including dividend# and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act) when income exceeds Rs 10,000,000 but does not exceed Rs 20,000,000	15 percent basic surcharge.
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act] exceeds Rs 20,000,000 but does not exceed Rs 50,000,000	<ul style="list-style-type: none"> <li>➤ 25 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act, and</li> <li>➤ 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act.</li> </ul>
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act] exceeds Rs 50,000,000	<ul style="list-style-type: none"> <li>➤ 37 percent basic surcharge on tax on income excluding dividend, capital gain under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act, and</li> <li>➤ 15 percent basic surcharge on tax on dividend, capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act.</li> <li>➤ Surcharge rate shall not exceed 25% in case of individual and HUF opting for new tax regime under section 115BAC of the Act.</li> </ul>
Non-corporate taxpayers (other than firms and co-operative societies), when income [excluding dividends# and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act] does not exceeds Rs 20,000,000 but income [including dividends# and capital gains under section 111A, section 112A, section 112 and section 115AD(1)(b) of the Act] exceeds Rs 20,000,000	15 percent basic surcharge.
Non-corporate taxpayers being firms or co-operative societies, when income exceeds Rs 10,000,000	12 percent basic surcharge.

<b>Assessee</b>	<b>Rate of surcharge applicable</b>
Domestic companies (other than companies availing benefit under section 115BAA of the Act) having taxable income equal to or less than Rs.10,000,000 per annum	No basic surcharge.
Domestic companies (other than companies availing benefit under section 115BAA and section 115BAB of the Act) having taxable income more than Rs. 10,000,000 but does not exceed Rs 100,000,000 per annum	7 percent basic surcharge.
Domestic companies (other than companies availing benefit under section 115BAA and section 115BAB of the Act) having taxable income more than Rs 100,000,000	12 percent basic surcharge.
Domestic companies availing benefit under section 115BAA and section 115BAB of the Act	10 percent basic surcharge (irrespective of taxable income).
Foreign Companies (including corporate FPI) having taxable income equal to or less than Rs. 10,000,000 per annum	No basic surcharge.
Foreign Companies (including corporate FPI) having taxable income more than Rs.10,000,000 but does not exceed Rs 100,000,000 per annum	2 percent basic surcharge.
Foreign companies having taxable income more than Rs 100,000,000	5 percent basic surcharge.

Tax plus surcharge shall be further increased by a health and education cess of 4 percent

#Refers to dividend received from domestic companies and not to income from units received from Mutual Funds.

## **II. TAX IMPLICATIONS ON MUTUAL FUND**

### **Income earned or received by the Mutual Fund**

Franklin Templeton Mutual Fund is registered with SEBI and as such, the entire income of the Fund is exempt from income tax under Section 10(23D) of the Act. In view of the provisions of Section 196(iv) of the Act, no income tax is deductible at source on the income earned by the mutual fund.

### **SECURITIES TRANSACTION TAX**

Franklin Templeton Mutual Fund is liable to pay a securities transaction tax as follows:

Sr. No	Taxable securities transaction	Existing Tax Rate (percent)	Payable by
1	Purchase of an equity share in a company, where (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share is settled by the actual delivery or transfer of such share	0.1	Purchaser
2	Purchase of a unit of an equity oriented fund, where (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of or unit is settled by the actual delivery or transfer of or unit	NIL	NA
3	Sale of an equity share in a company, where - (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share is settled by the actual delivery or transfer of such share	0.1	Seller
4	Sale of a unit of an equity oriented fund, where (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of or unit is settled by the actual delivery or transfer of or unit	0.001	Seller
5	Sale of an equity share in a company or a unit of an equity oriented fund, where: (a) the transaction of such sale is entered into in a recognised stock exchange; and (b) the contract for the sale of such share or unit is settled otherwise than by the actual delivery or transfer of such share or unit	0.025	Seller

6	Sale of a derivative, where the transaction of such sale is entered into in a recognised stock exchange, STT is leviable as under:  - Sale of an option in securities  - Sale of an option in securities, where the option is exercised  - Sale of a future in securities	0.0625  0.125  0.0125	<i>Seller</i>  <i>Purchaser</i>  <i>Seller</i>
7	Sale of unit of an equity oriented fund to a Mutual Fund	0.001	<i>Seller</i>
8	Sale of unlisted equity shares under an offer for sale	0.2	<i>Seller</i>
9	Sale of unlisted units of a business trust under an offer for sale [referred in clause 13 of section 97 of the Finance (No.2) Act 2004]	0.2	<i>Seller</i>

The value of a taxable securities transaction will be as follows:

- in the case of a taxable securities transaction relating to “option in securities”, the option premium of such “option in securities”;
- in the case of a taxable securities transaction relating to “option in securities”, where the option is exercised, the settlement price;
- in the case of taxable securities transaction relating to “futures”, the price at which such “futures” are traded; and
- in the case of any other taxable securities transaction, the price at which such securities are purchased or sold.

STT is required to be paid by the stock exchange/ Mutual Fund, as the case may be and in turn will be charged to/ recovered from the investor as the seller or purchaser, as the case may be

STT is not leviable in respect of taxable securities transactions entered into by any person for, or on behalf of, the New Pension System Trust.

### **Deduction of STT paid**

The STT paid in respect of taxable securities transactions entered into the course of business shall be allowed as deduction in computing “business income” in respect of such taxable securities transactions.

If the income on sale of securities is treated as ‘capital gains’, no deduction of STT paid will be allowed from these gains.

### **Note 3:**

“Taxable securities transaction” means a transaction of –

purchase or sale of an equity share in a company or a derivative or a unit of an equity oriented fund, entered into in a recognised stock exchange; or sale of unlisted equity shares by any holder

of such shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a recognised stock exchange; or sale of a unit of an equity oriented fund to the Mutual Fund

*“Equity oriented fund”* is defined to mean a fund set up under a scheme of a mutual fund specified under clause 23(D) of section 10 and

A) In case where the fund invests in the units of another fund which is traded on a recognised stock exchange –

i) a minimum of 90% of the total proceeds of such fund is invested in the units of such other fund; and

ii) such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on a recognized stock exchange; and

B) In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange Provided that the percentage of equity shareholding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

*“Money market mutual fund”* is defined to mean a money market mutual fund as defined in sub-clause (p) of clause (2) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

*“Liquid fund”* is defined to mean a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder.]

*“Specified mutual fund”* means a mutual fund by whatever name called, where not more than 35%<sup>5</sup> of its total proceeds is invested in the equity shares of domestic companies.

## RELIGIOUS AND CHARITABLE TRUSTS

Investments in the units of the Fund by Religious and Charitable Trusts is an eligible form of investment under Section 11(5) of the Act, read with Rule 17C of the Rules.

## B. Legal Information

### TRANSFER OF UNITS

The units of the schemes are not transferable unless the units are held in electronic (demat) form or are held under a transferable Unit Certificate. However, restrictions on transfer of units during the lock-in period shall continue. In case of schemes which are not listed on a recognised stock exchange, as the Mutual Fund offers repurchase (redemption) facility (subject to terms of the respective Scheme Information Document), the transfer facility is found redundant. Any

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<sup>5</sup> To be computed with reference to the annual average of the daily closing figures.

addition or deletion of name in the Folio except in the case of joint account is treated as transfer of Units. In view of the same, additions or deletions of name(s) will not be allowed under any Folio except due to death of one joint holder or such other exceptional situations, upon producing evidence to the satisfaction of the Mutual Fund/AMC. A minor unit-holder upon attaining majority is entitled to introduce the erstwhile guardian as a joint holder subject to completion of necessary formalities

However, if a transferee becomes a holder of the Units by operation of law or upon enforcement of a pledge, then the AMC shall, subject to production of such evidence, which in their opinion is sufficient, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units.

A person becoming entitled to hold the Units in consequence of the death, insolvency, or winding up of the sole holder or the survivors of joint holders, upon producing evidence to the satisfaction of the Fund, shall be registered as a unitholder.

## **TRANSMISSION**

The scheme's units can be transmitted after completion of necessary formalities to the entitled person(s) in the event of death of Unitholder at any time. All the restrictions and limitations specified herein including those relating to lock-in period and creation of charge, will be binding also on the successors, legal heirs, pledgee or assigns of the investor.

The units of the schemes held in electronic (demat) form will be subject to the transmission facility in accordance with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and the bye laws of depositories, as amended from time to time. However, restrictions on transfer of units during the lock-in period shall continue.

As per Rule 3 (e) of Equity Linked Savings Scheme, 2005 notified by the Government of India, vide Notification No. 226/2005 dated November 3, 2005, in the event of the death of the unitholder under ELSS, the nominee or legal heir, shall be able to withdraw the investment under ELSS only after the completion of one year from the date of allotment of the units to the investor, but before completion of three year's lock-in.

In the event of the death of the sole unitholder/ all unitholders (in case of joint holding) in a close-ended scheme, the nominee or legal heir shall be able to withdraw the investment only after maturity period of the scheme

### **Nomination Facility:**

In terms of Regulation 29A, AMFI Best Practice Guidelines read with Para 17.16 of SEBI Master Circular on Mutual Funds dated May 19, 2023, Investors subscribing to mutual fund units shall have the choice of providing nomination in the format provided or opting out of nomination through a signed Declaration form. Existing individual unit holder(s) holding mutual fund units either solely or jointly and who have not made nomination shall either nominate/ opt out of nomination by September 30, 2023 failing which the folios shall be frozen for debits.

Nomination would normally be registered at the Folio level and will be recorded for all Accounts under that Folio. Nomination is also available to a sole proprietary concern Folio / Account. For investment made under the Franklin Templeton Family Solutions facility, the nomination can be registered at Goal level. However, the investor may choose to register different nomination for any of the Accounts under that Folio. In case of switch which results in creation of a new Account, the nomination, if any, registered in the source (switch-out) account will automatically be registered for the destination (switch-in) account. In case of subscription which results in creation of a new Account, the nomination registered in the last transacted account under that Folio will automatically be registered for the new account.

The Unit holder may nominate one or more (maximum three) persons in whom the Units held by the Unit holder shall vest in the event of his death. In case where more than one person holds the Units jointly, the joint Unit holders may together nominate one or more persons (not exceeding three) in whom the Units shall vest in the event of death of all the joint Unit holders or on the death of the joint holder whose money is used for the investment subject to submission of such documents as may be required by AMC in this regard.

In case of multiple nomination (nomination in favour of more than one person), the Unitholder(s) must clearly and unambiguously specify the exact share of each of the nominees as a percentage of the Units held by the Unitholder(s), making a total of 100%. In absence of such clear and unambiguous indication by the Unitholder regarding the exact share of each of the nominees, **it will be assumed that the Unitholder(s) has opted for the Default Option, which is the Units to be allocated equally among all the nominees and settled accordingly.**

The Trustee/AMC reserves the right to alter / vary the default option, after giving the notice.

Nomination/ Declaration for opting out of nomination can be made by filling up the form prescribed by the AMC in this regards. The Nomination/ Declaration Form is available in any ISC and also on FTMF website. Sole holders of a folio can also update Nominee online/ provide declaration form through FTMF website or APP. Nomination so made can be cancelled or changed by the Unitholder(s) any time. Nomination can be modified by the consent of account holder/s. Nomination can be made in favour of a minor, provided other major individual is named as the guardian of the nominee

The following rules & regulations have to be complied with by the unit holder/joint unit holders who wish to nominate a person in whom the units held by him/them shall vest in the event of his/their death:

1. The nomination can be made only by individuals applying for/holding units on their own behalf singly or jointly or a sole proprietary concern. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the units are held jointly, all joint holders will sign the nomination form.
2. its are held jointly, all joint holders will sign the nomination form.
3. Nomination cannot be registered in Folios/Accounts held in the name of a minor.
4. A minor can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the unit holder. Nomination can also be in favour of the

Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust.

5. The Nominee shall not be a trust (other than a religious or charitable trust), society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a Nominee subject to the exchange controls in force, from time to time
6. Nomination in respect of the units stands rescinded upon the transfer of units.
7. Transfer of units in favour of a Nominee shall be valid discharge by the asset management company against the legal heir.
8. A new nomination or any change in the nomination already registered with the Mutual Fund/AMC will overwrite the existing nomination registered.
9. The cancellation of nomination can be made only by those individuals who hold units on their own behalf singly or jointly and who made the original nomination.
10. On cancellation of the nomination, the nomination shall stand rescinded and the asset management company shall not be under any obligation to transfer the units in favour of the Nominee.

However, the investors should be aware that the nominee may not acquire title or beneficial interest in the property by virtue of the nomination and that neither the Mutual Fund or the AMC or the Registrar and Transfer Agent of the Mutual Fund will be bound to transfer the units to the nominee in the event of any dispute in relation to the nominee's entitlement to the units.

If the Mutual Fund or the AMC or the Trustee were to incur, suffer or any claim, demand, liabilities, proceedings or actions are filed or made or initiated against any of them in respect of or in connection with the nomination, they shall be entitled to be indemnified absolutely for any loss, expenses, costs, and charges that any of them may suffer or incur absolutely from the investor's estate.

The following documents are required in the case of Death:

- a. Written request from nominee
- b. Death certificate
- c. Identity/ KYC of the nominee
- d. Proof of guardianship in case the nominee is a minor and or an unsound person
- e. Signature of the nominee duly attested by banker in the format prescribed by NISM (National Institute for Securities Market), mentioning name; employee ID and designation of the attesting authority.
- f. Such other documents as may be prescribed by the AMC from time to time.

#### **For Units held in Electronic (Demat) Mode**

For units of the Scheme(s) held in electronic (demat) form with the Depository, the nomination details provided by the Unit holder to the depository will be applicable to the Units of the Scheme. Such nomination including any change or cancellation Nominee(s) shall be governed by the rules and bye-laws of the Depository.

**KYC Requirements:** It is mandatory for all investors (including joint holders, NRIs, POA holders and guardians in the case of minors) to furnish such documents and information as may be

required to comply with the Know Your Customers (KYC) policies under the AML Laws. Applications without such documents and information may be rejected.

As per Para 14.11 of SEBI Master Circular on Mutual Funds dated May 19, 2023, **Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction**, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-pension. SEBI, in its subsequent letter dated July 24, 2012 has conveyed that investments in mutual fund schemes [including investments through Systematic Investment Plan (SIP)] of up to Rs.50,000/- per year per investor shall be exempted from the requirement of PAN

Accordingly, where the aggregate of lump sum investment (fresh purchase and additional purchase) and SIP instalments by an investor in a financial year i.e., April to March does not exceed Rs.50,000/- (referred to as "Micro investment"), it shall be exempt from the requirement of PAN. Such investors are required to provide alternate proof of identity in lieu of PAN for KYC purposes and are allotted PAN-exempt KYC Reference Number (PEKRN).E-PAN issued by CBDT can also be provided by FPI.

This exemption will be available only to Micro investment made by individuals being Indian citizens (including NRIs, joint holders, minors acting through guardian and sole proprietary firms). PIOs, HUFs, QFIs and other categories of investors will not be eligible for this exemption.

For the purpose of identifying Micro investment, applications shall be aggregated at the investor level (same sole holder/joint holders in the same sequence) and such aggregation shall be done irrespective of the number of folios / accounts under which the investor is investing and irrespective of source of funds, mode, location and time of application and payment.

Thus, submission of PAN is mandatory for all existing as well as prospective investors (including all joint applicants/holders, guardians in case of minors, POA holders and NRIs but except for the categories mentioned above) for transacting with mutual funds. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy.

Under the provisions of Income tax Act 1961, every person who has been allotted a PAN and is eligible to obtain Aadhaar Number is required to intimate his Aadhaar Number to the prescribed authority on or before 31st March, 2023. On failure to do so, his/her PAN shall become inoperative and he/she shall be liable to all the consequences under the Income Tax Act, 1961 for not furnishing, intimating or quoting the PAN. Therefore, it is mandatory for investors to link PAN with Aadhaar.

With reference to this, SEBI in its letter SEBI/HO/OW/IMD/PoD/P/2022/ 48112 /1 dated September 12, 2022, SEBI has advised that:

1. No investments (Systematic transaction, lumpsum, redemption) shall be permitted in such folios wherein PAN/ PEKRN details are not available.
2. Non-compliant, Non-PAN and Non-PEKRN folios will be liable to be frozen from April 01, 2023.

3. Non-investor-initiated transactions such as dividend pay-out, if any, declared by the Mutual Fund schemes shall also be disallowed
4. Unitholders whose folio(s) has/have been frozen due to the above requirement shall be able to (permitted to) lodge grievance or avail service request only after furnishing the above details.

**All financial transactions with Franklin Templeton Mutual Fund need to comply with the PAN and KYC requirements as stated above, failing which the applications are liable to be rejected.**

It is clarified that all categories of investors seeking exemption from PAN still need to complete the KYC requirements stipulated by the AMC/Trustee from time to time, irrespective the amount of investment. If there is any change in the Client Due Diligence/KYC information provided by the investor, the same is required to be updated within 30 days of such change.

Investors are instructed not to make cash payments. No outstation cheques or post-dated cheques will be accepted. Applications with outstation cheques/post dated cheques may be rejected.

**Requirements of Prevention of Money Laundering Act:**

Prevention of Money Laundering Act, 2002 ('PML Act') came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by Department of Revenue, Ministry of Finance, Government of India. The PML Act, the Rules issued thereunder and the guidelines/circulars issued by SEBI thereto, as amended from time to time, are hereinafter collectively referred to as 'AML Laws'. Further, SEBI vide its circular No. ISD/CIR/RR/AML/1/06 dated January 18, 2006 mandated that all intermediaries including Mutual Funds should formulate and implement a proper policy framework as per the guidelines on anti money laundering measures and also to adopt a "Know Your Customer" (KYC) policy. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND).

It is mandatory to complete the KYC requirements for all unit holders, including for all joint holders and the guardian in case of folio of a minor investor. Accordingly, financial transactions (including redemptions, switches and all types of systematic plans and non-financial requests will not be processed if the unit holders have not performed necessary KYC formalities.

Unit holders are advised to use the applicable KYC Form for completing the KYC requirements and submit the form at Official Points of Acceptance of Transactions of Franklin Templeton Mutual Fund. Further, upon updation of PAN details with the KRA (KRA-KYC)/ CERSAI (CKYC), the unit holders are requested to intimate us their PAN information along with the folio details for updation in our records.

The investor(s), including guardian(s) where investor is a minor, should ensure that the amount invested in the scheme is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, AML Laws, Prevention of Corruption Act and/or any other applicable law in force and

also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under

To ensure appropriate identification of the investor(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, Franklin Templeton Asset Management (India) Pvt. Ltd. ('the AMC')/Franklin Templeton Mutual Fund ('the Mutual Fund') / Franklin Templeton Trustee Services Pvt. Ltd. ('the Trustees') reserves the right to seek information, record investor's telephonic calls and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. It may re-verify identity and obtain any incomplete or additional information for this purpose, including through the use of third party databases, personal visits, or any other means as may be required for the AMC/the Mutual Fund/the Trustees to satisfy themselves of the investor(s) identity, address and other personal information.

The investor(s) and their attorney(ies), if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/passport/driving license/PAN card, Aadhaar etc. and/or such other documents or produce such information as may be required from time to time for verification of the personal details of the investor(s) including *inter alia* identity, residential address(es), occupation and financial information by the AMC/Mutual Fund.

If the investor(s), their attorney(ies) or the person making payment on behalf of the investor(s), refuses/fails to provide the required documents/information within the period specified by the AMC/Mutual Fund then the AMC shall have absolute discretion to freeze the folios of the investor(s), reject any application(s)/allotment/redemption of units and/or effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to entry/exit loads, if any. The AMC/Mutual Fund/Trustees shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the AML Laws and/or on account of deficiencies in the documentation provided by the investor(s) or as may be mandated under AML laws. The AMC/Mutual Fund/Trustees shall have no obligation to advise investors or distributors of such reporting. The KYC documentation requirements shall also be complied with by the holders entering the Register of Unitholders by virtue of operation of law e.g. transmission, etc.

The AMC/Mutual Fund/Trustees, and their Directors, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios/rejection of any application/allotment/redemption of units or mandatory redemption of units due to non-compliance with the provisions of the AML Laws and KYC policy and/or where the AMC/Mutual Fund believes that transaction is suspicious in nature within the purview of the AML Laws and/or for reporting the same to FIU-IND.

- **Ultimate Beneficial owner**

Pursuant to PML Act and Rules framed there under, SEBI Master circular dated February 03, 2023 on Anti Money Laundering (AML) sufficient information to identify persons who beneficially own or control the securities account is required to be obtained. Also, SEBI had vide its circular no. CIR/MIRSD/2/2013 dated January 24, 2013 and other circulars issued from time to time prescribed guidelines regarding identification of Ultimate Beneficial Owner(s) ('UBO').

As per these guidelines UBO means 'Natural Person', or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement. Investors are requested to refer to the 'Declaration for UBO' for detailed guidelines on identification of UBO.

The provisions relating to UBO are not applicable where the investor or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company.

Identification and verification of Beneficial Owners of a Foreign Portfolio Investors shall be done in accordance with SEBI Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors dated May 30, 2024 as may be amended from time to time.

Investors are requested to promptly inform the AMC if the information provided undergoes any change in future.

It is mandatory for all investors (including joint holders, NRIs, POA holders, beneficiaries and guardians in the case of minors) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the AML Laws. The AMC/ Trustee reserves the right to reject application forms submitted without disclosing necessary information as prescribed under the aforesaid laws/ rules/ regulations.

## **DURATION OF THE SCHEME AND WINDING UP**

In case of open end schemes and interval schemes, the duration of the schemes is perpetual. In case of closed end schemes, the scheme / each plan will have a fixed maturity as specified in the respective Scheme Information Document and it will be fully redeemed at the end of the maturity period unless rolled over as per SEBI guidelines.

However, in terms of the SEBI Regulations, the Scheme may be wound up if:

- i. There are changes in the capital markets, fiscal laws or legal system, or any event or series of events occurs, which, in the opinion of the Trustee, requires the Scheme to be wound up Trustees shall obtain consent of the unit holders participating in the voting by simple majority on the basis of one vote per unit and publish the results of voting within forty five days from the publication of notice.

In case the trustees fail to obtain the required consent of the unitholders under the said clause the schemes shall be reopened for business activities from the second business day after publication of results of the voting; or

- ii. 75% of the Unitholders of the Scheme pass a resolution that the Scheme be wound up;
- iii. SEBI directs the Scheme to be wound up in the interests of the Unitholders; or

Where a scheme is to be wound up pursuant to the above, the Trustee shall give notice within one day disclosing the circumstances leading to the winding up of the Scheme -

- iv. to SEBI; and
- v. in two daily newspapers having circulation all over India and also in a vernacular newspaper circulating at the place where the Fund is established.

#### **Procedure and manner of winding up**

- (i) The Trustee shall call a meeting of the Unitholders to consider and pass necessary resolutions by simple majority of the Unitholders present and voting at the meeting for authorizing the Trustees or any other person to take steps for winding up the Scheme/plan.
- (ii) a) The Trustee or the person authorized as above, shall dispose of the assets of the Scheme concerned in the best interest of the Unitholders of that Scheme.

b) The proceeds of the sale made in pursuance of the above, shall, in the first instance be utilized towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders in proportion to their respective interest in the assets of the Scheme as on the date when the decision for the winding up was taken.

On the completion of the winding up, the Trustee shall forward to the Board and the Unitholders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Fund before winding up, expenses of the Fund for winding up, net assets available for distribution to the Unitholders and a certificate from the Auditors of the Fund.

- (iii) Notwithstanding anything contained herein, the application of the provisions of the SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to apply.
- (iv) respect of disclosures of half-yearly reports and annual reports shall continue to apply.

After the receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been completed, the Scheme shall cease to exist.

#### **Pledge of Units:**

The Units under the Schemes (except locked-in units of Franklin India ELSS Tax Saver Fund and FIPEP) may be offered as security by way of a pledge / charge / lien in favour of scheduled banks or financial institutions or individuals. Units can be pledged by completing the requisite formalities, as may be prescribed by the AMC from time to time. A standard form for this purpose is available on request from any ISC. The AMC will note and record such Pledged Units. Disbursement of such loans will be at the entire discretion of the bank/financial institution concerned and the Mutual Fund assumes no responsibility thereof.

The Pledgor will not be able to redeem units that are pledged until the entity to which the units are pledged provides written authorisation to the Mutual Fund that the pledge / lien / charge may be removed. As long as the units are pledged, the pledgee will have complete authority to redeem such units.

### **For Units held in Electronic (Demat) Mode**

For units of the Scheme(s) held in electronic (demat) form, the rules of Depository applicable for pledge will be applicable for pledge/lien of units of the Scheme(s). Pledgor and Pledgee must have a beneficial account with the Depository. These accounts can be with the same DP or with different DPs.

### **UNCLAIMED REDEMPTION / IDCW AMOUNT**

The unclaimed redemption and IDCW amount may be deployed by the mutual fund in call money market, money market instruments or separate plan of Liquid scheme / Money Market Mutual Fund scheme floated specifically for deployment of the unclaimed amounts only. The investors who claim the unclaimed amounts during a period of three years from the due date shall be paid initial unclaimed amount along-with the income earned on its deployment. Investors, who claim these amounts after 3 years, shall be paid initial unclaimed amount along-with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education. The AMC would make a continuous effort to remind the investors through letters to take their unclaimed amounts. The investment management fees charged by the AMC for managing unclaimed amounts will not exceed 50 basis points. The Fund/AMC shall not be liable to pay any interest or compensation on unclaimed amount.

### **CLIENT INFORMATION**

The Mutual Fund shall presume that the identity of the investor and the information disclosed by him is true and correct. It will also be presumed that the funds invested by the investor in the Schemes of the Mutual Fund come from legitimate sources / manner and the investor is duly entitled to invest the said funds.

Where the funds invested are for the benefit of a person (beneficiary) other than the person in whose name the units are issued and registered, the Mutual Fund shall assume that the investor holding the Units in his name is legally authorized / entitled to invest the said funds in the Units of the Mutual Fund, for the benefit of the beneficiaries.

Investors shall not hold FTMF, Franklin Resources Inc. and its subsidiary and associate entities including their employees, directors and key managerial persons (collectively referred as Franklin Templeton Investments / Franklin Templeton) liable for any consequences in case of any of the above particulars being false, incorrect or incomplete. Investors shall promptly inform Franklin Templeton Investments of any changes to the information provided hereinabove and agree and accept that Franklin Templeton Investments shall not be liable or responsible for any losses, costs, damages arising out of any actions undertaken or activities performed by them in good faith or on the basis of information provided not intimated / delayed intimating of changes.

Investors understand and acknowledge that FTMF, its Trustee, the AMC reserves the right to accept / reject any transactions / redeem any investments, at their sole discretion and as they may deem fit without assigning any reason thereto. The rejection may be for any reason including but not limited to comply and adhere to such orders or instructions issued by any Indian or foreign governmental or statutory or judicial or regulatory authorities / agencies.

Additionally, the AMC shall be entitled to freeze/lock the folio(s) of investor(s)/Unitholder(s)/Jointholder(s) for further transactions or reject any applications for subscription or redemption or transmission of units at its sole and absolute discretion upon the AMC becoming aware of any investigation/action/litigation/ succession or any other claims relating to the investments or transactions of the investor(s)/Unitholder(s)/Jointholder(s) by any Authority or upon receipt of any claims or complaints for fraud, any disputes /litigations among Unitholder(s)/Jointholder(s)/ nominees/legal heir/ other claimants to the units relating to the investments or transactions of the investor(s)/Unitholder(s)/ Jointholder(s), including disputes/litigations where AMC has been impleaded as a party or not. The freeze/lock/rejection/restriction so imposed by the AMC as hereinabove mentioned may be absolute or may continue till receipt of a specific written instruction/direction/order from such Authority authorizing the removal of such freeze/rejection/ restriction and/ or completion of the investigation by AMC or resolution of the disputes, etc. as the case may be. It is hereby clarified that the AMC, Mutual Fund, Trustee Company Limited and its Directors, employees and agents shall not be liable for any loss or damage suffered by investor(s)/ Unitholder(s)/Jointholder(s)/ nominee(s), either directly or indirectly, as a consequence AMC acting on the express orders of the Authority or for undertaking such freeze/lock/rejection/ restriction/remittance/transfer/transmission as mentioned above, as the case may be. Further, if either the Mutual Fund/ AMC incur any loss, damage, costs etc. whatsoever resulting from or arising out of any investigation, litigation or other proceeding or harm that it may suffer in relation to acting on the Court / Regulatory Statutory orders/directives as stated above and also in relation to nomination, transmission, etc. they will be entitled to be indemnified absolutely from the deceased investor(s)/ Unitholder(s)' estate

Franklin Templeton Investments may disclose, share, remit in any form, mode or manner, all / any of the information provided by the investors, including all changes, updates to such information as and when provided, to any of its agents, service providers, representatives or distributors or any other parties located in India or outside India or any Indian or foreign governmental or statutory or judicial authorities / agencies including but not limited to the Financial Intelligence Unit-India (FIU-IND), the tax / revenue authorities and other investigation agencies without any obligation of advising / informing investors about the same. Investors shall provide any additional information / documentation that may be required by Franklin Templeton Investments, in connection with this application.

Units of the schemes are not offered, nor is the Fund managed or intended to serve, as a vehicle for frequent trading that seeks to take advantage of short-term fluctuations in the securities market. This type of trading activity is often referred to as "market timing" and could result in actual or potential harm to the Unit Holders. Accordingly, the Mutual Fund (MF) at its sole discretion may reject any purchase or exchange of Units that the MF reasonably believes may represent a pattern of market timing activity involving the Schemes of the Mutual Fund.

#### **ACTS DONE IN GOOD FAITH**

Any act, thing or deed done in good faith in pursuance of or with reference to the information provided in the application or other communications received from the investor/ unit holder will constitute good and full discharge of the obligation of the Fund, Trustee and the AMC.

In cases of copies of the documents / other details such as list of authorized signatories, that are submitted by a limited company, body corporate, registered society, trust or partnership, if the

same are not specifically authenticated to be certified true copies but are attached to the application form and / or submitted to the Fund, the onus for authentication of the documents so submitted shall be on such investors and the AMC/Fund will accept and act on these in good faith wherever the documents are not expressly authenticated. Submission of these documents / details by such investors shall be full and final proof of the corporate investor's authority to invest and the AMC/Fund shall not be liable under any circumstances for any defects in the documents so submitted.

In cases where there is a change in the name of such investor, such a change will be effected by the AMC/Fund only upon receiving the duly certified copy of the revised Certificate of Incorporation issued by the relevant Registrar of Companies / registering authority. In cases where the changed PAN Number reflecting the name change is not submitted, such transactions accompanied by duly certified copy of the revised Certificate of Incorporation with a copy of the Old Pan Card and confirmation of application made for new PAN Card will be required as a documentary proof.

## **LIEN**

The Mutual Fund will have a first and paramount right of lien/set-off with respect to every unit/ distribution under any scheme of the Mutual Fund for any money that may be owed by the unitholder, to it.

## **POWER TO MAKE RULES**

Subject to the prior approval of SEBI, if required, the Trustee may, from time to time, prescribe such terms and make such rules for the purpose of giving effect to the provisions of the schemes with power to the AMC to add to, alter or amend all or any of the terms and rules that may be framed from time to time.

## **POWER TO REMOVE DIFFICULTIES**

If any difficulty arises in giving effect to the provisions of the schemes, the Trustee may do anything not inconsistent with such provisions, which appear to them to be necessary, desirable or expedient, for the purpose of removing the difficulty.

## **C. General Information**

### **I. INTERSCHEME TRANSFER OF INVESTMENTS**

Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if -

- (a) such transfers are done at the prevailing market price for quoted instruments on spot basis.

*Explanation: "spot basis" shall have same meaning as specified by stock exchange for spot transactions.*

- (b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

## **II. POLICY FOR BORROWING**

The scheme may borrow up to a maximum of 20% of the net assets of the scheme for a maximum duration of 6 months for the purpose of repurchase, redemption of units or payment of interest or IDCW to unit holders as a temporary liquidity measure as per Regulation 44(2) of Chapter VI of SEBI [Mutual Funds] Regulations, 1996, on such terms (as to creation of charge on the properties of the scheme, rate of interest, margins etc.) as the Trustee/AMC considers to be in the interest of investors. Such borrowings if made may result in interest cost. The limit of 20% may be revised at the discretion of the Fund and to the extent the Regulations hereafter permit.

## **III. UNDERWRITING**

Subject to Franklin Templeton Mutual Fund obtaining the necessary approval-registration under the Securities and Exchange Board of India (Underwriters) Regulations, 1993 and the Securities and Exchange Board of India (Underwriters) Rules, 1993, the Scheme may accept obligations for underwriting issue of Securities consistent with its investment objectives. The total underwriting obligations will not exceed the scheme's total net asset value.

## **IV. RECEIVING ACCOUNT STATEMENT /CORRESPONDENCE BY E-MAIL**

The AMC will encourage the Unit holder to provide their e-mail addresses for receiving Account Statements and other correspondence. The Mutual Fund's Website would facilitate request for Account Statement by Unit holders. For those unitholders who have provided an e-mail address, the AMC will send the Account Statements/ Consolidated Account Statement (CAS) and other correspondence, including without limitation the annual report, half yearly portfolio statement and other services subscribed for by the unitholder by e-mail. Alternatively, the AMC may also send an e-mail to the investor giving the link to the website of the Mutual Fund for the aforesaid statements, wherever applicable. By providing an e-mail address, the unitholder shall be deemed to have agreed to receive the account statements and other correspondence by e-mail. However, if the unitholder wishes to receive account statement otherwise than by e-mail, he/she may request the AMC in writing for the same.

The Unit holder may download and print the Account Statement and other communication after receiving e-mail from the Mutual Fund. Should the Unit holder experience any difficulty in accessing the electronically delivered Account Statement, the Unit holder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternative means. Failure to advise Franklin Templeton Mutual Fund or the AMC of such difficulty within 24 hours of receiving the e-mail, will serve as an affirmation regarding the acceptance by the Unit holder of the Account Statement.

For the investors who have opted to receive Account Statements, CAS, Annual Reports and other correspondence by e-mail, the AMC/Mutual Fund will not be responsible for e-mail not reaching the investors and for all consequences thereof. The investors shall from time to time intimate the AMC/Mutual Fund about any changes in their e-mail address.

The Unitholders are requested to make themselves aware of all security risks including possible third party interception of the Account Statement and content of the Account Statement becoming known to third parties.

## V. BROKERS / DISTRIBUTORS

The AMC intends to utilise the services of select financial intermediaries for distribution and may pay brokerage depending upon the efficiency and other factors as may be decided by the AMC. The AMC is the sole authority to select such financial intermediaries who would distribute the product. Further, the AMC may appoint one or more exclusive distributors, at its discretion, based on the parameters decided by the AMC.

The AMC may use the services of associate brokers / distributors or take the sale of its units into account when allocating brokerage. However, the brokerage / commission paid to associate brokers / distributors shall be at the same rate offered to any other broker / distributor who procures subscription.

Treatment of purchase/switch/SIP/STP transactions received through distributors who are suspended by AMFI shall be as follows:

- ii. During the period of suspension, no commission shall be accrued or payable to the distributor whose ARN is suspended. During the period of suspension, commission on the business canvassed prior to the date of suspension shall stand forfeited, irrespective of whether the suspended distributor is the main ARN holder or a sub-distributor.
- iii. All Purchase and Switch transactions, including SIP/STP registered prior to the date of suspension and fresh SIP / STP registrations received under the ARN code of a suspended distributor during the period of suspension, shall be processed under "Direct" Plan" and shall be continued under Direct Plan perpetually\*. AMC shall suitably intimate to the unitholder(s).

\*Note: If the AMC receives a written request / instruction from the first/sole unitholder to shift back existing assets, future SIP/STP instalments or both to Regular Plan under the ARN of the distributor post the revocation of suspension of ARN, the same shall be honored. Investors may be liable to bear capital gains taxes per their individual tax position for such transactions.

- iv. All Purchase and Switch transactions including SIP/STP transactions received through the stock exchange platforms through a distributor whose ARN is suspended shall be rejected.
- v. In cases where the ARN of the distributor is permanently terminated, the unitholders have the following options:
  - a. Switch their existing investments under the Regular Plan to Direct Plan (Investors may be liable to bear capital gains taxes per their individual tax position for such transactions); or
  - b. Continue their existing investments under the Regular Plan under ARN of another distributor of their choice.

### **Soft Dollar arrangement**

Soft-dollar arrangement refers to an arrangement between AMC and brokers in which the AMC executes trades through a particular broker and in turn the broker may provide benefits such as free research, hardware, software or even non-research-related services, etc., to the AMC. Such arrangements between AMC and brokers shall be limited to only benefits

(like free research report, etc.) that are in the interest of investors.

Franklin Templeton Asset Management (India) Pvt Ltd. (AMC) utilises such arrangements only for the benefit of the investors.

## 2. Aggregate investment in the Scheme under the following categories:

In accordance with Paragraph on 'Scheme Related Disclosures' of SEBI Master Circular for Mutual Funds dated May 19, 2023, please find below the aggregate investment in the respective Scheme(s) by Board of Directors of Franklin Templeton Asset Management (India) Private Limited (AMC) and key personnel as on May 31 2024:

Scheme Name	Aggregate amount invested in the Scheme as on May 31, 2024 (market value in Rs.)		
	AMC's Board of Directors	Key personnel (excluding Fund Manager)	Fund Manager
Franklin India Pension Plan (FIPEP)	412,257.05	48,282.46	
Franklin Asian Equity Fund (FAEF)	46,132.88	686,028.87	322,109.72
Franklin Build India Fund (FBIF)	685,549.94	14,631,945.71	4,419,605.95
Franklin India Balanced Advantage Fund	1,311,688.35	6,166,644.30	3,581,416.38
Franklin India Banking & PSU Debt Fund (FIBPDF)	235,667.81	4,948,635.56	311,855.65
Franklin India Bluechip Fund (FIBCF)	4,233,329.45	18,007,169.03	23,996,424.57
Franklin India Corporate Debt Fund- FICDF	251,234.47	1,321,544.47	1,056,106.87
Franklin India Debt Hybrid Fund - FIDHF	86,274.64	515,751.38	613,802.95
Franklin India Dynamic Asset Allocation Fund of Funds (FIDPEF)	2,773,811.99	6,165,932.52	1,099,330.29
Franklin India Equity Advantage Fund - FIEAF	1,047,987.59	6,492,168.89	7,999,235.14
Franklin India Equity Hybrid Fund - FIEHF	1,692,011.38	6,554,520.88	3,658,104.02
Franklin India Equity Savings Fund (FIESF)	59,377.26	623,894.20	401,529.50
Franklin India Feeder - Franklin U. S. Opportunities Fund (FIF-FUSOF)	7,836,410.45	27,599,071.16	170,090.63
Franklin India Feeder - Templeton European Opportunities Fund		1,159.61	957.90
Franklin India Flexi Cap Fund - FIFCF	6,893,058.84	31,603,294.24	7,446,750.58
Franklin India Floating Rate Fund - FIFRF	110,815.81	758,415.11	237,495.38
Franklin India Focused Equity Fund - FIFEF	3,834,770.15	22,077,118.79	13,489,375.22
Franklin India Government Securities Fund (FIGSF)	49,490.02	3,514,044.07	146,130.53
Franklin India Index Fund (FIIF) - NSE Nifty Plan	312,235.48	37,566,957.59	
Franklin India Liquid Fund - FILF	514,096.82	4,213,639.91	1,395,739.76
Franklin India Multi-Asset Solution Fund (FIMAS)		3,379.55	42,196.90

Franklin India Opportunities Fund (FIOF)	449,040.97	5,811,940.35	1,963,654.45
Franklin India Prima Fund (FIPF)	6,148,264.63	22,931,336.14	36,411,845.47
Franklin India Smaller Companies Fund (FISCF)	4,081,190.43	30,156,603.38	37,722,856.15
Franklin India Technology Fund (FITF)	310,571.29	4,706,777.36	3,661,711.38
Franklin Money Market Fund (FIMMF)	800,491.50	59,497,694.22	2,262,277.25
Templeton India Equity Income Fund (TIEIF)	586,808.91	4,735,731.47	1,956,195.89
Templeton India Value Fund - TIVF	381,072.14	3,350,604.56	1,184,013.96
Franklin India Tax Saver Fund (FIT)	2,086,933.17	10,451,464.22	3,222,336.84

For the purpose of above information, the President of the AMC is covered under the category of AMC's Board of Directors

### 3. Dematerialisation and Rematerialisation procedures

- Investors or applicants who wish to be allocated units in the demat mode must have a demat account with one of the Depository Participant (DP) of the Depositories i.e. National Securities Depositories Limited (NSDL) / Central Depository Services Limited (CDSL).
- At the time of applying Mutual fund units (New Fund offer/Ongoing Subscriptions), investors/applicants must provide demat Account details i.e.
  - a. DP's name, DP ID Number, and the beneficiary account number in the specified section of the application form.
  - b. In case demat account is with CDSL then 16-digit account number to be mentioned and if held with NSDL, DP id is prefixed with IN followed by 6 digits and client id as 8 digits needs to be mentioned in the application form.
  - c. Investors/applicants must ensure that the demat account mentioned is active, also the sequence of names, holding pattern, PAN, tax status mentioned in the application form matches with the client master list submitted issued by the Depository Participant.
- If the demat details mentioned in the application are incomplete/incorrect or not matched with the Depository data, the AMC reserves the right to allot units in Non Demat mode.
- Upon allotment the units are credited to the investor's valid demat account within 3 working days.
- Investors may kindly note that no statement of account (SOA) and other statements will be generated by the AMC / RTA once the unit is converted to demat. Post conversion Investment details can be viewed in the Consolidated Account Statement (CAS) that the investor receives from depository.
- Investors holding units of mutual fund scheme in physical form (Statement of Account), may convert them easily in demat form through Depository Participants (DP). The procedure for converting mutual funds units held in Physical form into demat form is as below: -
  - Obtain Conversion Request Form (CRF) from your DP.
  - Fill-up the CRF and sign it (as per the signature available in the application). In the case of joint holders, all holders should sign the form.
  - The holding pattern in DP (as per Client master list) should match with Physical form (SOA).

- Submit the CRF along-with the Statement of Account to your DP.
  - After due verification, the DP would send the CRF to AMC / RTA.
  - Post verification, AMC / RTA will confirm the conversion request raised by the DP and the mutual fund units will be credited in the demat account.
  - Partial allotment of units from physical to demat shall not be permitted
- Re-materialisation (Remat) is the process of converting units from demat mode to physical mode i.e., Units from Electronic mode to Physical mode. To re-materialise mutual fund units, submit the following documents as mentioned below:
    - Investors need to approach their respective DP and submit the duly filled and signed Remat Request Form for each ISIN, fund, or folio.
    - Upon verification of such request, the DP shall forward these documents to the respective AMC/RTA for further processing.
    - Post verification, AMC / RTA will confirm the status of conversion request executed by DP and the mutual fund units are extinguished from the Investor's demat account. These Demat units are then converted into Physical (i.e., Statement of Account).
  - Unitholders of mutual fund units held in demat form can redeem the units through Depository or stockbroker / distributor through exchange platforms i.e. BSE (BSE STAR MF Platform) and NSE (Mutual Fund Service System (MFSS))
    - The Investor would be required to submit all requisite information / documents as requested by the Depository or stockbroker.
    - After receipt of such redemption request from the respective source, AMC/RTA will process the redemption request post due validations.
    - Units held in demat mode can be redeemed only through Depository or stockbroker / distributor through exchange platforms.
  - Switch transactions for units held in demat mode can be processed only through exchange / clearing corporation. The mechanism is same equivalent to redemption and subscription. Post processing of switch-out (redemption), switch-in (subscription) and equivalent units are settled to clearing house for on-ward credit to the investor's DP account.
  - Any modifications of bank account, address, contact details etc in the demat folios, investor needs to approach through their respective Depository Participant (DP) for Updation in demat account. DP follows prescribed guidelines for such profile modifications as formulated by respective Depositories (NSDL/CDSL) in their operating manual

#### **4. ASBA disclosures**

As per the SEBI guidelines, in respect of New Fund offers (NFO), investors will also have an option to make an application / payment under the Applications Supported by Blocked Amount (ASBA) facility. This facility is available to all investors eligible to invest in the schemes of the Mutual Fund. The applications under ASBA facility will be subject to the directives issued by SEBI from time to time.

The Application Forms for applications under the Applications Supported by Blocked

Amount (ASBA) facility are available at the designated branches of Self certified Syndicate Banks (SCSB / ASBA Banks). A list of these banks is available on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) or BSE website ([www.bseindia.com](http://www.bseindia.com)) or NSE website ([www.nseindia.com](http://www.nseindia.com)). The Application Forms for applications under the Applications Supported by Blocked Amount (ASBA) facility should be submitted at the designated branches of the ASBA Banks.

Investors will also have an option to make an application / payment under the Applications Supported by Blocked Amount (ASBA) facility. This facility is available to all investors eligible to invest in the schemes of the Mutual Fund and avail the ASBA facility, subject to the same being extended by all the concerned intermediaries involved in the ASBA process. The applications under ASBA facility will be governed by the directives issued by SEBI from time to time.

ASBA is an application containing an authorization given by the Investor to block the application money in his specified bank account towards the subscription of Units offered during the NFO of the Schemes. Thus, for an investor who applies through ASBA facility, the application money blocked towards the subscription of Units shall be debited to the extent of allotment from the bank account only if his/her application is accepted for allotment of Units. On allotment, units will be credited to the Investor's demat account as specified in the ASBA application form. For availing this facility, Investors are requested to check with the Designated Branches ("DBs") of the Self Certified Syndicate Banks ("SCSBs").

## **5. Portfolio Turnover Details**

Portfolio turnover is defined as lesser of purchases and sales as a percentage of the average corpus of the Scheme during a specified period of time. Portfolio turnover in the scheme will be a function of market opportunities. In case of open-ended scheme(s), it is expected that there would be a number of subscriptions and repurchases on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. The AMC will endeavour to optimise portfolio turnover to optimise risk adjusted return keeping in mind the cost associated with it. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of arbitrage opportunities that exist for securities held in the portfolio rather than an indication of change in AMC's view on a security etc. However, the AMC will take advantage of the opportunities that present themselves from time to time because of the inefficiencies in the securities markets.

### **C. Associate Transactions**

1. The Schemes of Franklin Templeton Mutual Fund, from the date of their inception, till the date of this SAI, have not underwritten any issue lead managed by the associate companies.
2. Franklin Templeton Mutual Fund has not utilised the services of associate companies for purchase or sale of securities.
3. The AMC may, subject to SEBI regulations, utilise the services of the associate companies for the following:
  - Purchase or sale of securities
  - Marketing, sale and distribution of the units of the schemes of Franklin

## Templeton Mutual Fund

However, the AMC shall ensure that brokerage paid to affiliate broker will be in line with what will be paid to non-affiliate broker and the quantum of business shall be subject to the limits prescribed by SEBI.

The AMC shall also ensure that the brokerage / trail fee paid to the affiliate brokers for the sale and distribution of units is at the same rates offered to the other distributors.

4. The AMC has utilised the services of the associates for sale / distribution of the units of the schemes of the Mutual fund. The details of brokerage / trail commission paid to the associates during the last three fiscal years as given below:

Associate Company	For the year ended (Rs. in millions)		
	31-03-2022	31-03-2023	31-03-2024
MYWISH Market Places Pvt Ltd	0.0533064	0.02742061	Not applicable#
Equitas Small Finance Bank Limited	Not applicable\$	Not applicable\$	Not applicable\$

\$ The company was disassociated with effect from March 4, 2021

#The company was disassociated with effect from November 5, 2022

5. The AMC may, subject to the regulations, may subscribe on behalf of the schemes in the securities issued and lead managed by any of the associate. The AMC shall ensure that investments in such issues will be in line with the investment objectives of the scheme.
6. No investment shall be made in
- any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or
  - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets.
7. From time to time, subject to the Regulations, the Sponsors, the Mutual Funds managed by them, their affiliates-associates, the Sponsors and the AMC may acquire a substantial portion of the scheme's units and collectively constitute a majority investor in the scheme.

#### D. Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at Head Office of the Mutual Fund at Mumbai during business hours on any day (excluding Saturdays, Sundays and public holidays):

- Memorandum and Articles of Association of the AMC
- Investment Management Agreement
- Trust Deed and amendments thereto, if any
- Mutual Fund Registration Certificate
- Agreement between the Mutual Fund and the Custodian
- Agreement with Registrar and Share Transfer Agents
- Consent of Auditors to act in the said capacity
- Consent of Legal Advisors to act in the said capacity
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- Indian Trusts Act, 1882.

#### E. Investor Grievances Redressal Mechanism

To resolve investor queries and grievances, the Fund has set up an Investor Service Cell that ensures prompt response to all investor queries and grievances. For any queries, complaints or grievances, the investor can contact the Investor Service Cell at the following address:

##### Investor Services, Franklin Templeton Mutual Fund

Good Shepherd Square, 4th Floor, No.82, MGR Salai (Erstwhile Kodambakkam High Road), Chennai 600034.

**Tel:** 1800 425 4255 or 1-800 -258- 4255 (Please prefix the city STD code if calling from a mobile phone. Local call rates apply to both the numbers) from 8:00 a.m. to 9:00 p.m., Monday to Saturday.

**E-mail:** [service@franklintempleton.com](mailto:service@franklintempleton.com)

The number of complaints received and redressed for the last three financial years are detailed below:

Scheme	01.04.2021 to 31.03.2022		
	Received	Redressed	Pending
FAEF	0	0	0
FBIF	9	10	0
FIBCF	32	34	0
FIEHF	5	7	0
FIBPDF	4	4	0
FIFRF	11	12	0
FICRF	4	4	0

Scheme	01.04.2021 to 31.03.2022		
	Received	Redressed	Pending
FIDA	1	1	0
FIDPEF	4	4	0
FITF	6	9	0
FIEAF	20	20	1
FIF-TEOF	0	0	0
FIF-FUSOF	29	31	0
FIGSF	1	1	0
FIFEF	55	58	1
FICDF	5	5	0
FIIF	3	3	0
FIIOF	1	1	0
FILDF	2	2	0
FILSF	0	0	0
FIMAS	6	7	1
FIDHF	0	0	0
FIOF	4	5	0
FIPEP	8	9	0
FIPF	36	37	-1
FIFCF	30	35	1
FISCF	49	53	0
FIMMF	11	12	0
FISTIP	3	3	0
FIETSF	41	45	0
FILF	17	17	0
FIESF	3	3	0
FIUBF	10	13	0
TIEIF	18	19	0
TIVF	4	4	0
FIFMPS4PB	0	0	0
FIONF	0	0	0
TFHF	0	0	0
Others (*)	299	319	0
<b>TOTAL</b>	<b>587</b>	<b>618</b>	<b>28</b>

(\*): Includes investors who have not furnished their account numbers / scheme names.

Scheme	01.04.2022 to 31.03.2023		
	Received	Redressed	Pending
FAEF	2	2	0
FIBAF	7	6	1
FBIF	2	2	1

Scheme	01.04.2022 to 31.03.2023		
	Received	Redressed	Pending
FIBCF	56	55	3
FIEHF	12	12	2
FIBPDF	2	2	0
FIFRF	4	4	1
FICRF	9	9	0
FIDA	2	2	0
FIDAAF	2	2	0
FITF	1	1	3
FIEAF	24	24	1
FIF-FEGF	0	0	0
FIF-FUSOF	16	15	3
FIGSF	1	1	0
FIFEF	51	50	5
FICDF	4	4	0
FIIF	3	2	1
FIIOF	2	2	0
FILDF	6	6	0
FILSF	2	2	0
FIMAS	0	0	2
FIDHF	0	0	0
FIOF	10	9	2
FIPEP	4	4	1
FIPF	46	45	1
FIFCF	48	49	5
FISCF	43	43	4
FIMMF	7	7	1
FISTIP	11	11	0
ELSS	45	44	5
FILF	7	7	0
FIESF	1	1	0
FIUBF	6	6	3
TIEIF	26	26	1
TIVF	8	8	0
FIFMPS4PB	0	0	0
FIONF	8	8	0
TFHF	0	0	0
Others (*)	254	247	27
<b>TOTAL</b>	<b>732</b>	<b>718</b>	<b>73</b>

(\*): Includes investors who have not furnished their account numbers / scheme names.

Scheme	01.04.2023 to 31.03.2024		
	Received	Redressed	Pending
FIBAF	9	10	0
FAEF	3	3	0
FBIF	9	8	1
FIBCF	78	79	0
FIEHF	12	12	0
FIBPDF	1	1	0
FIFRF	1	1	0
FICRF	3	3	0
FIDA	4	4	0
FIDAAF	4	4	0
FITF	14	14	0
FIEAF	55	55	1
FIF-FEGF	0	0	0
FIF-FUSOF	20	21	0
FIGSF	1	1	0
FIFEF	57	58	1
FICDF	2	2	0
FIIF	7	8	0
FIIOF	3	3	0
FILDF	4	4	0
FILSF	0	0	0
FIMAS	0	0	0
FIDHF	2	2	0
FIOF	52	52	1
FIPEP	9	9	0
FIPF	42	42	1
FIFCF	75	75	0
FISCF	69	66	3
FIMMF	6	6	0
FISTIP	11	11	0
ELSS	51	52	0
FILF	10	9	1
FIESF	1	1	0
FIUBF	1	1	0
TIEIF	44	44	0
TIVF	13	13	0
FIFMPS4PB	0	0	0
FIONF	8	7	1
TFHF	0	0	0
Others (*)	332	339	0
<b>TOTAL</b>	<b>1013</b>	<b>1020</b>	<b>10</b>

	<b>01.04.2024 to 30.09.2024</b>		
<b>Name of the Scheme</b>	<b>Received</b>	<b>Redressed</b>	<b>Pending</b>
FBIF	10	11	0
FIBAF	7	7	0
FAEF	3	3	0
FIBCF	12	10	2
FIE TSF	26	26	0
FIEAF	13	14	0
FIEHF	6	6	0
FIF-FUSOF	5	5	0
FIFCF	27	27	0
FIFRF	4	4	0
FIDAAF	1	1	0
FIGSF	2	2	0
FIFEF	20	21	0
FIIF	2	2	0
FILF	2	3	0
FIMMF	15	14	1
FIOF	38	38	1
FIPEP	1	0	1
FIONF	3	4	0
FIPF	22	21	2
FISTIP	3	3	0
FISCF	37	39	1
FITF	5	5	0
FIUBF	1	1	0
TIEIF	17	17	0
TIVF	2	2	0
FIESF	3	2	1
FIMCF	134	130	4
<i>Others (*)</i>	143	142	1
<b>TOTAL</b>	<b>564</b>	<b>560</b>	<b>14</b>

(\*): Includes investors who have not furnished their account numbers / scheme names.

As of May 31, 2024, there were 7 SEBI Complaints (including query and grievance) pending, out of which 1 was resolved in June 2024.

During the half yearly ending May 31, 2024, FTAMC has received 44 communications relating to winding-up of six debt schemes of FTMF which were duly responded to investors.

Most queries were related to general / additional information on the fund. Complaints

regarding non-receipt of Account Statement were resolved by issuing duplicate Account Statement and arranging for duplicate cheques/ DDs in cases where redemptions were not received.

## **F. Information pertaining to Investments by the Schemes of the Fund**

### **1. Derivative strategies**

As part of the Fund Management process, the Trustee may permit the use of derivative instruments such as index futures, stock futures and options contracts warrants, convertible securities, swap agreements, Forward Rate Agreement (FRA) or any other derivative instruments that are permissible or may be permissible in future under applicable regulations and such investments shall be in accordance with the investment objectives of the scheme.

Index futures/options are meant to be an efficient way of buying/selling an index compared to buying/selling a portfolio of physical shares representing an index for ease of execution and settlement. Index futures/options can be an efficient way of achieving the scheme's investment objective. On the fixed income side, an interest rate swap agreement from fixed rate to floating rate is an example of how derivatives can be an effective hedge for the portfolio in a rising interest rate environment.

Derivatives can be either exchange traded or can be over the counter (OTC). Exchange traded derivatives are listed and traded on Stock Exchanges whereas OTC derivative transactions are generally structured between two counterparties.

Derivatives may be high risk - high return instruments, upon leveraging. As they are highly leveraged, a small price movement in the underlying security could have a large impact on their value and may also result in a loss.

#### **Position Limits:**

The scheme may enter into derivative transactions 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. Trading in derivatives by the scheme shall be restricted to hedging and portfolio balancing purposes.

Currently, the position limits for Mutual Funds and its schemes, as permitted by the SEBI Regulations, are as under:

The cumulative gross exposure through equity, debt and derivative positions (including commodity and fixed income derivatives), repo transactions and credit default swaps in corporate debt securities, other permitted securities/assets and such other securities/assets as may be permitted by SEBI from time to time) should not exceed 100% of the net assets of the scheme. Exposure due to hedging positions may not be included in the above mentioned limit subject to the following:

- Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.

- Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned above.
- Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
- 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.
- 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 above.

### 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. Exposure in derivative positions shall be computed as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option Bought	Option Premium Paid * Lot Size * Number of Contracts

Further, the total exposure related to option premium paid must not exceed 20% of the net assets of the scheme. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure. Pursuant to SEBI letter dated November 03, 2022, Cash or cash equivalents shall consist of following securities having residual maturity of less than 91 days:

- 1) Government Securities
- 2) T-Bills
- 3) Repo on Government Securities

Mutual Funds shall not write options or purchase instruments with embedded written options.

*i. Position limit for Mutual Funds in index options contracts:*

1. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.
2. This limit would be applicable on open positions in all options contracts on a particular underlying index.

*ii. Position limit for Mutual Funds in index futures contracts:*

1. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.
2. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

iii. *Additional position limit for hedging*

In addition to the position limits at point (i) and (ii) above, Mutual Funds may take exposure in equity index derivatives subject to the following limits:

1. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
2. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

iv. *Position limit for Mutual Funds for stock based derivative contracts*

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts shall be 20% of the applicable Market Wide Position Limit (MWPL).

v. *Position limit for each scheme of a Mutual Fund*

The position limits for each scheme of mutual fund and disclosure requirements shall be identical to that prescribed for a sub-account of a FII. Therefore, the scheme-wise position limit/disclosure requirements shall be –

1. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:

1% of the free float market capitalisation (in terms of number of shares)

*Or*

5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts)

2. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
3. For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

**Purpose of investment:**

- Trading in derivatives by the scheme shall be restricted to hedging and portfolio balancing purposes.

- The scheme shall fully cover its positions in the derivatives market by holding underlying securities/cash or cash equivalents/option and/or obligation for acquiring underlying assets to honour the obligations contracted in the derivatives market.
- Separate records shall be maintained for holding the cash and cash equivalents/securities for this purpose.
- The securities held shall be marked to market by the AMC to ensure full coverage of investments made in derivative products at all time.

### **Valuation:**

- The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

### **Stock and Index Options:**

Option contracts are of two types - Call and Put; the former being the right, but not obligation, to purchase a prescribed number of shares at a specified price before or on a specific expiration date and the latter being the right, but not obligation, to sell a prescribed number of shares at a specified price before or on a specific expiration date. The price at which the shares are contracted to be purchased or sold is called the strike price. Options that can be exercised on or before the expiration date are called American Options, while those that can be exercised only on the expiration date are called European Options. In India, all individual stock options are American Options, whereas all index options are European Options. Option contracts are designated by the type of option, name of the underlying, expiry month and the strike price.

### **Strategies that employ Options:**

**Buying a Call Option:** Let us assume that the Fund buys a call option of XYZ Ltd. with strike price of Rs. 1000, at a premium of Rs. 25. If the market price of ABC Ltd on the expiration date is more than Rs. 1000, the option will be exercised. The Fund will earn profits once the share price crosses Rs. 1025 (Strike Price + Premium i.e. 1000+25). Suppose the price of the stock is Rs. 1100, the option will be exercised and the Fund will buy 1 share of XYZ Ltd. from the seller of the option at Rs 1000 and sell it in the market at Rs. 1100, making a profit of Rs. 75. In another scenario, if on the expiration date the stock price falls below Rs. 1000, say it touches Rs. 900, the Fund will choose not to exercise the option. In this case the Fund loses the premium (Rs. 25), which will be the profit earned by the seller of the call option.

### **Risks:**

In case of buying options either call/put, the maximum loss would be the premium paid in case of options expiring out of the money.

**Buying a Put Option:** Let us assume the Fund owns the shares of XYZ Ltd, which is trading at Rs. 500. The fund wishes to hedge this position in the short-term as it perceives some downside to the stock in the short-term. It can buy a Put Option at Rs. 500 by paying a premium of say Rs, 10/- In

case the stock goes down to Rs. 450/- the fund has protected its downside to only the premium i.e Rs 10 instead of Rs. 50. On the contrary if the stock moves up to say Rs. 550/- the fund may let the Option expire and forego the premium thereby capturing Rs. 40/- upside. The strategy is useful for downside protection at cost of foregoing some upside.

### **Stock and Index Futures:**

The Stock Exchange, Mumbai and the National Stock Exchange have introduced Index futures on BSE Sensex (BSE 30) and Nifty (NSE-50). Generally, three futures of 1 month, 2 months and 3 months are presently traded on these exchanges. These futures will expire on the last working Thursday of the respective month.

There are futures based on stock indices as mentioned above as also futures based on individual stocks. Individual stock futures are also widely used derivative instruments for enhancing portfolio returns. Stock futures trade either at a premium or at discount to the spot prices, usually the level of premium reflective of the cost of carry. Many a times the stock-specific sentiments too have a bearing on Futures as speculators may find futures as a cost-effective way of executing their view on the stock. However such executions usually increase the premium/discount to the spot significantly, thereby giving rise to clean arbitrage opportunities for a fund.

### **Strategies that employ Index Futures:**

Illustrative list of strategies that can employ index futures:

(a) The fund has an existing equity portion invested in a basket of stocks. In case the fund manager has a view that the equity markets are headed downwards, the fund can then hedge the exposure to equity either fully or partially by initiating short futures positions in the index. A similar position in the long direction can also be initiated by the fund to hedge its position of cash and permissible equivalents. The extent to which this can be done is determined by existing guidelines.

(b) To the extent permissible by extant regulations the scheme can initiate a naked short position in an underlying index future traded on a recognized stock exchange.

In case the Nifty near month future contract trading at say, 1850, and the fund manager has a view that it will depreciate going forward, the fund can initiate a sale transaction of nifty futures at 1850 without holding a portfolio of equity stocks or any other underlying long equity position. Once the price falls to 1800 after say, 20 days the fund can initiate a square-up transaction by buying the said futures and book a profit of 50. Correspondingly the fund can take a long position without an underlying cash/ cash equivalent subject to the extant regulations.

### **Risks:**

- The risks associated with index futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and potential mis-pricing of the futures and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- The Long position in the Nifty will have as much loss as the gain in the short portfolio if hedged completely and would be vice versa if we were holding long portfolio, short Index.

### **Strategies that employ Stock Futures:**

**Sell Spot Buy Future:** To illustrate, let us assume the fund holds the stock XYZ Ltd which is trading @ Rs. 100/- at the spot market. If for some reasons the stock trades at Rs. 98 in the futures, the fund may sell the stock and buy the futures. On the date of expiry, the fund may reverse the transactions (i.e. Buy Spot & Sell futures) and earn a risk-free Rs. 2/- (2% absolute) on its holdings. Since this is done without diluting the fund's view on the underlying stock, the fund will benefit from any upside move i.e. if on the date of futures expiry, the stock is trading at Rs. 110/- the futures too will be trading at Rs. 110/- and the fund will capture the 10% upside the stock provided and along with it the 2% arbitrage too, thereby enhancing returns to 12%

#### **Risks:**

- While Futures markets are typically more liquid than the underlying cash market, there can be no assurance that ready liquidity would exist at all points in time for scheme to purchase or close out a specific futures contract.
- The risks associated with stock futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and potential mis-pricing of the futures.

**Buy Spot Sell Future:** If the fund holds a stock XYZ Ltd which trades @ Rs 100/- at the spot market and is trading at Rs. 102/- in the futures market. The fund may buy the spot and sell the futures and earn the premium of Rs.2 /- which is risk-free. However this strategy can be used only when the fund is sitting in cash and is looking at enhancing the returns on the cash.

#### **Risks:**

- While Futures markets are typically more liquid than the underlying cash market, there can be no assurance that ready liquidity would exist at all points in time for scheme to purchase or close out a specific futures contract.
- The risks associated with stock futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and potential mis-pricing of the futures.

**Sell Future:** This helps in shorting the market and taking a direct short position in the market. Futures facilitate a short position if fund manager has a bearish view in the market. A sold Futures can be re-purchased any time up to the date of its expiry. If not re-purchased, it is automatically squared off on the expiry date at Spot Rate.

#### **Risks:**

The risks associated with stock futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and potential mis-pricing of the futures and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

**Buy Future:** If the fund wants to initiate a long position in a stock whose spot price is at say, Rs.100 and futures is at 98, the fund may just buy the futures contract instead of the spot thereby benefiting from a lower cost option.

## **Risks:**

The risks associated with stock futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and potential mis-pricing of the futures and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

## **Interest Rate Swaps:**

The Indian markets have faced high volatility in debt and equity markets. An interest rate swap is a contractual agreement between two counter-parties to exchange streams of interest amount on a national principal basis. In this, one party agrees to pay a fixed stream of interest amount against receiving a variable or floating stream of interest amount. The variable or floating part is determined on a periodical basis.

The Scheme may enter into plain vanilla Interest Rate Swaps (IRS) for hedging purposes. The value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.

In case of participation in IRS is through over the counter transactions, the counter party has to be an entity recognized as a market maker by RBI and exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme. However, if Scheme is transacting in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.

### **➤ Purpose of Interest Rate Swaps:**

- The Indian markets have faced high volatility in debt and equity markets. An interest rate swap is a contractual agreement between two counter-parties to exchange streams of interest amount on a national principal basis. In this, one party agrees to pay a fixed stream of interest amount against receiving a variable or floating stream of interest amount. The variable or floating part is determined on a periodical basis.
- The scheme shall use derivative position for hedging the portfolio risk on a non-leverage basis. The scheme shall fully cover their positions in the derivatives market by holding underlying securities / cash or cash equivalents / option and / or obligation for acquiring underlying assets to honour the obligations contracted in the derivatives market.

### **Let us look at an example of an interest rate swap:**

Entity A has Rs.20 crores, 3 month asset which is being funded through call. Entity B, on the other hand, has deployed Rs.20 crores in overnight call money market, 3 month liability. Both the entities are taking on an interest rate risk.

To hedge against the interest rate risk, both the entities can enter into a 3 month swap agreement based on say MIBOR (Mumbai Inter Bank Offered Rate). Through this swap, entity B will receive a fixed pre-agreed rate (say 8%) and pay NSE MIBOR ("the benchmark rate") which will neutralize the interest rate risk of lending in call. Similarly, entity A will neutralize its interest rate risk from call borrowing as it will pay 8% and receive interest at the benchmark rate.

Assuming the swap is for Rs.20 crores 1 September to 1 December, Entity A is a floating rate receiver at the overnight compounded rate and Entity B is a fixed rate receiver. On a daily basis, the benchmark rate fixed by NSE will be tracked by them.

On December 1, they will calculate as explained below:

Entity A is entitled to receive daily compounded call rate for 92 days and pay 8% fixed. Entity B is entitled to receive interest on Rs.20 crores @ 8% i.e. Rs.40.33 lakhs, and pay the compounded benchmark rate.

Thus on December 1, if the total interest on the daily overnight compounded benchmark rate is higher than Rs.40.33 lakhs, entity B will pay entity A the difference and vice versa.

### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

**Example:** Let us assume that a scheme has an investment of Rs.10 crore in an instrument that pays interest linked to NSE Mibor. Since the NSE Mibor would vary daily, the scheme is running interest rate risk on its investment and would stand to lose if rates go down. To hedge itself against this risk, the scheme could do an IRS where it receives a fixed rate (assume 10%) for the next 5 days on the notional amount of Rs. 10 crore and pay a floating rate (NSE Mibor). In doing this, the scheme would effectively lock itself into a fixed rate of 10% for the next five days. The steps would be:

1. The scheme enters into an IRS on Rs. 10 crore from December 1 to December 6. It receives a fixed rate of interest at 10% and the counter party receives the floating rate (NSE Mibor). The scheme and the counter party exchange a contract of having entered into this IRS.
2. On a daily basis, the NSE Mibor will be tracked by the counterparties to determine the floating rate payable by the scheme.
3. On December 6, the counterparties will calculate the following:
  - The scheme will receive interest on Rs. 10 crore at 10% p.a. for 5 days i.e. Rs.1,36,986/-
  - The scheme will pay the compounded NSE Mibor for 5 days by converting its floating rate asset into a fixed rate through the IRS.
  - If the total interest on the compounded NSE Mibor rate is lower than Rs. 1,36,986/-, the scheme will receive the difference from the counterparty and vice-versa. In case the interest on compounded NSE Mibor is higher, the scheme would make a lower return than what it would have made had it not undertaken IRS.

### **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.

### Numerical Example –

When the underlying asset being hedged and the IRF contract are based on the same instrument, the hedge is known as a perfect hedge.

Imperfect hedging is when the underlying asset being hedged and the IRF contract has a 90 day correlation of closing prices of more than 90%. If such a correlation does not exist at any time, the derivative position shall be counted as exposure. Maximum permissible imperfect hedging is 20%. For example, assume a portfolio comprising the following structure:

Security	Amount (crs)	Price (INR)
IGB 6.79% 2027	50	94.6
IGB 6.68% 2031	25	91
IGB 7.17% 2028	15	98
Cash	10	-
<b>Total</b>	<b>100</b>	

Assuming the fund manager intends to hedge the portfolio using IRF and uses contracts on IGB 6.79% 2027 as it is most liquid. Maximum permissible imperfect hedging is 20%. For the above fund is  $100 \times 20\% = \text{INR } 20$  crores. Maximum perfect hedging using 6.79% 2027 is INR 50 crores. Total hedge the fund can enter into is INR 50 crores + INR 20 crores = INR 70 crores. Assuming the 90 day historical correlation between the instruments in the portfolio are as follows:

90 day historical correlation	IGB 6.79% 2027	IGB 6.68% 2031	IGB 7.17% 2028
IGB 6.79% 2027	1	0.95	0.85
IGB 6.68% 2031	0.95	1	0.80
IGB 7.17% 2028	0.85	0.80	1

Given that we are using IRF on 6.79% 2027, we can hedge 6.68% 2031 using IRFs as correlation is more than 90% upto INR 20 crores (based on the 20% limit of imperfect hedging). Since one contract of IRF has a notional value of INR 2 lakhs, in this example the fund manager may sell (INR 70 crores/2 lakhs) 3500 contracts, to hedge his position.

### Scenario 1: When the bonds close higher than at the time the hedge was entered into:

Security	Amount (crs)	Price before hedging (INR)	Price on maturity of hedge (INR)	Gain/Loss	Net Gain (INR lakhs)
IGB 6.79% 2027	50	94.6	94.7	0.1	5
IGB 6.68% 2031	25	91	91.15	0.15	3.75

<b>IGB 7.17% 2028</b>	15	98	98.05	0.05	0.75
<b>Cash</b>	10				
<b>Without IRF</b>					9.5
<b>IRF based on IGB 6.79% 2027</b>	70	94.5	94.65	-0.15	-10.5
<b>Total with IRF</b>	100				-1

**Scenario 2: When the bonds close lower than at the time the hedge was entered into:**

<b>Security</b>	<b>Amount (crs)</b>	<b>Price before hedging (INR)</b>	<b>Price on maturity of hedge (INR)</b>	<b>Gain/Loss</b>	<b>Net Gain (INR lakhs)</b>
<b>IGB 6.79% 2027</b>	50	94.6	94.5	-0.1	-5
<b>IGB 6.68% 2031</b>	25	92	91.85	-0.15	-3.75
<b>IGB 7.17% 2028</b>	15	100	99.95	-0.05	-0.75
<b>Cash</b>	10				-
<b>Without IRF</b>					-9.5
<b>IRF based on IGB 6.79% 2027</b>	70	98.5	98.45	0.05	3.5
<b>Total with IRF</b>	100				-6

As can be seen in the cases above, IRFs help in reducing the volatility of the loss/gain to the fund in case of yield movements.

As is clear from the above examples, engaging in derivatives has the potential to help the scheme in minimising the portfolio risk and/or improve the overall portfolio returns.

**Please note these examples are hypothetical in nature and are given for illustration purposes only. The actual returns may vary depending on the market conditions.**

The AMC retains the right to enter into such derivative transactions as may be permitted by the applicable regulations from time to time.

## **2. Swing Pricing**

As per Para 4.10 of SEBI Master Circular on Mutual Funds dated May 19, 2023 “Pricing framework for open ended debt mutual fund schemes” (except Overnight Funds, Gilt Funds, Gilt with 10-year maturity funds) is available. The swing pricing framework will be made applicable only for scenarios related to net outflows from the schemes. The framework shall be a hybrid framework with:

- a partial swing during normal times in line with framework prescribed by AMFI; and

- a mandatory full swing during market dislocation times for high risk open ended debt schemes.

A partial swing pricing framework for normal period may be implemented after incorporating relevant clauses in the SIDs and after following the procedure for change in Fundamental Attribute of the schemes, in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996. Unitholders shall be notified about such change, in case partial swing during normal times are introduced in schemes of FTMF.

### Definition:

**Swing factor** – A swing factor is the amount (normally expressed as a percentage or in basis points) by which the NAV is adjusted.

**Swung NAV (net asset value)** – The NAV after applying the adjustment or swing factor i.e. a certain percentage in the Unswung NAV of the scheme with net outflows. Once swing pricing is enforced, all unitholders redeeming (more than Rs. 2 lacs, identified at PAN level) or subscribing in the scheme can transact only at the swung NAV – which is lower than the Unswung NAV in case of net outflows.

### Mandatory Swing pricing during market dislocation

1. SEBI will determine ‘market dislocation’ either based on AMFI’s recommendation or suo moto. Once market dislocation is declared, it will be notified by SEBI that swing pricing will be applicable for a specified period.
2. Subsequent to the announcement of market dislocation, the swing pricing framework shall be mandated for the scheme, if:
  - a. The risk-o-meter (as of the most recent period at the time of declaration of market dislocation) is either High or Very High; and
  - b. The scheme is classified in either of the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix
3. A minimum swing factor, as under shall be made applicable to the schemes and the NAV will be adjusted for swing factor:

Minimum swing factor for open ended debt schemes*			
Max Credit Risk of scheme →	Class A (CRV** ≥12)	Class B (CRV ≥10)	Class C (CRV <10)
Max Interest Rate Risk of the scheme ↓			
Class I: (MD ≤ 1 year)	Nil	Nil	1.5%
Class II: (MD ≤ 3 years)	Nil	1.25%	1.75%
Class III: Any Macaulay duration	1%	1.5%	2%

\*Scheme can levy higher swing factor, based on pre-defined parameters, redemption pressure and current portfolio of the scheme subject to a cap on swing factor to be decided by Franklin Templeton Asset Management (India) Private Limited (FTAMIL).

\*\*CRV: Credit Risk Value

However, swing factor higher than as specified in above table shall be considered as Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996 and the procedure outlined in the paragraph on fundamental attributes in Scheme Information Document, shall be followed.

### **Other Features:**

- a. When swing pricing framework is triggered and swing factor is made applicable, both the incoming and outgoing investors shall get NAV adjusted for swing factor.
- b. Swing pricing shall be made applicable to all unitholders at PAN level with an exemption for redemptions upto Rs. 2 lacs in the scheme.
- c. The scheme performance shall be computed based on unswung NAV.

### **Illustration:**

Once market dislocation is declared by SEBI, NAVs would be swung for schemes where swing pricing provisions are applicable as mentioned above. NAV of the schemes shall be calculated as per regulations and swing factor shall be applied on such NAV calculated.

NAV of Scheme: Rs 20 per unit

If Swing factor is 1%, in case of net outflows, the NAV of the scheme shall be adjusted downward to Rs. 19.80 (20-(20\*1%)).

### **3. Provisions on creation of Segregated portfolio/Side pocketing**

#### **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.

EBI (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**

<b>Security</b>	<b>Rating</b>	<b>Type of Security</b>	<b>Qty</b>	<b>Price per Unit (INR)</b>	<b>Market Value (INR lakhs)</b>
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
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### Main Portfolio as on 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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

#### **4. Short selling/ stock lending**

##### **SECURITIES LENDING**

If permitted by SEBI under extant regulations/ guidelines, the Scheme may also engage in scrip lending as provided under Securities Lending Scheme 1997, as per Para 12.11 of SEBI Master Circular on Mutual Funds dated May 19, 2023, and other applicable guidelines/ regulations, as amended from time to time. Scrip lending means lending a security to another person or entity for a fixed period of time, at a negotiated compensation. The security lent will be returned by the borrower on or before the expiry of the stipulated period.

The AMC will comply with the required reporting obligations and the Trustee will carry out the reviews required under SEBI/RBI guidelines.

Engaging in scrip lending is subject to risks related to fluctuations in the collateral value / settlement / liquidity / counter party.

##### **SHORT SELLING OF SECURITIES**

If permitted by SEBI Regulations, the Scheme may engage in short selling of securities in accordance with the guidelines issued by SEBI. Short sale of securities means selling of securities without owning them. The AMC will comply with the guidelines issued by SEBI in this behalf, including reporting obligations and the Trustee will carry out the reviews required under said guidelines.

Engaging in short sale of securities is subject to risks related to fluctuations in market price, and settlement/ liquidity risks.

#### **5. INVESTMENT IN CORPORATE DEBT MARKET DEVELOPMENT FUND (CDMDF)-**

AMC shall make a one-time contribution equivalent to 2 bps of the AUM of specified debt-oriented MF Schemes managed by them. Further, AMCs of new Mutual Funds shall also make a one-time contribution equivalent to 2 bps of their specified debt-oriented MF schemes, based on the AUM at the end of the financial year following the one in which the specified scheme(s) are launched.

Note: Specified debt-oriented MF schemes include open ended Debt oriented Mutual Fund schemes including Conservative Hybrid funds but excluding Overnight funds and Gilt funds (both Gilt Fund and Gilt Fund with 10 year constant maturity).

##### **CDMDF Framework-**

CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023 and SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time, which includes the framework for corporate debt market development fund. The framework will inclusive of following points-

- a) The CDMDF shall deal only in following securities during normal times:

- Low duration Government Securities
- Treasury bills
- Tri-party Repo on G-sec
- Guaranteed corporate bond repo with maturity not exceeding 7 days

b) The fees and expenses of CDMDF shall be as follows:

- During Normal times: (0.15% + tax) of the Portfolio Value charged on daily pro-rata basis.
  - During Market stress: (0.20% + tax) of the Portfolio Value charged on daily pro-rata basis.
  - "Portfolio Value" means the aggregate amount of portfolio of investments including cash balance without netting off of leverage undertaken by the CDMDF.
- c) Corporate debt securities to be bought by CDMDF during market dislocation include listed money market instruments. The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating.
- d) CDMDF shall follow the Fair Pricing document, while purchase of corporate debt securities during market dislocation as specified in SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time.

CDMDF shall follow the loss waterfall accounting and guidelines w.r.t. purchase allocation and trade settlement of corporate debt securities bought by CDMDF, specified in SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023 and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time.

## **G. Transaction Charges and Stamp Duty**

### **Transaction Charges**

The AMC/Mutual Fund shall deduct Transaction Charges on purchase/subscription applications received from investors that are routed through a distributor/agent/broker as follows, provided the distributor/agent/broker has opted to receive the transaction charges. The distributors have the option to either opt in or opt out of levying transaction charge based on type of the product:

#### **(i) First time investor in mutual funds:**

Transaction Charge of Rs.150/- on purchase/subscription application of Rs.10,000 and above shall be deducted from the subscription amount and paid to the distributor/agent/broker of the investor. Units will be allotted for the balance subscription amount (net of the transaction charge deducted).

#### **(ii) Investors other than first time investor in mutual funds:**

Transaction Charge of Rs.100/- per purchase/subscription application of Rs.10,000 and above shall be deducted from the subscription amount and paid to the distributor/agent/broker of the

investor. Units will be allotted for the balance subscription amount (net of the transaction charge deducted).

**(iii)** In case of investments through Systematic Investment Plan (SIP), the Transaction Charge shall be deducted only if the total commitment through SIP (i.e. amount per SIP instalment x No. of SIP instalments) amounts to Rs.10,000/- and above. The Transaction Charge shall be deducted in 3 or 4 instalments, as may be decided by the AMC from time to time.

**(iv) The Transaction Charges shall not be deducted for:**

- (a) purchase/subscription applications for an amount less than Rs.10,000/-;
- (b) transactions other than purchases/subscriptions relating to new inflows such as switches, redemption, Systematic Transaction Plan, Transfer of Income Distribution cum capital withdrawal planetc.;
- (c) direct applications received by the AMC i.e. applications received at any Official Point of Acceptance of Transaction of Franklin Templeton Mutual Fund that are not routed through any distributor/agent/broker; and
- (d) transactions routed through stock exchange platform (not applicable for ARN holders who have 'opted-in' for levy of transaction charges in respect of mutual fund transactions of their clients routed through stock exchange platforms).

The statement of account shall clearly state that the net investment as gross subscription less transaction charge and give the number of units allotted against the net investment. The upfront commission to distributors shall continue to be paid by the investor directly to the distributor by a separate payment based on his assessment of various factors including the service rendered by the distributor.

### **Stamp Duty**

Pursuant to amendment to Indian Stamp Act, 1899, a stamp duty of 0.005% would be levied on subscription of Mutual Fund Units. Accordingly, pursuant to levy of stamp duty, the number of units allotted on applicable transactions (Purchase, Switch-in, IDCW Reinvestment & Systematic transactions viz. SIP / STP-in etc.) to the unit holders would be reduced to that extent. No stamp duty is payable in respect of redemption of Units.

### **H. Books and Records**

The books and records of the Fund will be maintained at the Registered Office of the AMC. The fiscal year of the Mutual Fund ends on 31st March in each year. The Register of unitholders of the schemes shall be maintained at the office of Computer Age Management Service Pvt. Ltd. (Registrar and Transfer Agent for the schemes of FTMF) at No.10 (Old No.178), M.G.R. Salai, Nungambakkam, Chennai - 600 034 and such other places as the Trustees may decide.

## **X. DISCLOSURES AND REPORTS BY THE FUND**

1. Account Statement/Consolidated Account Statement

### **Account Statement:**

On acceptance of the application for subscription, a confirmation specifying the number of units allotted by way of email and/or SMS will be sent to the Unitholders within 5 Business Days from the date of receipt of application at their email address and/or mobile number registered with the Mutual Fund/AMC.

### **Consolidated Account Statement**

In order to enable a single consolidated view of all the investments of an investor in Mutual Funds and securities held in demat form with the Depositories, Mutual Fund- Registrar & Transfer Agents or Depositories shall generate and dispatch of single Consolidated Account Statement (CAS) to the investors. Consolidation of account statement shall be done on the basis of PAN. In case of multiple holding, it shall be PAN of the first holder and pattern of holding.

**Unitholders who have registered their Permanent Account Number (PAN)** with the Mutual Fund will receive a Consolidated Account Statement as follows:

#### **1. Unitholders who hold Demat Account**

The Account Statement containing details relating to all financial transactions (purchase, redemption, switch, systematic investment plan, systematic transfer plan, systematic withdrawal plan, Transfer of Income Distribution cum capital withdrawal plan, Payout of Income Distribution cum capital withdrawal option, Reinvestment of Income Distribution cum capital withdrawal option and bonus transactions) made by the unitholder across all mutual funds and transaction in dematerialised securities across demat accounts of the Unitholder will be sent by the Depositories, for each calendar month within 15th day of the succeeding month to the unitholders in whose folios transactions have taken place during that month.

CAS shall be sent every half yearly (September/ March), on or before 21st day of succeeding month, detailing holding at the end of the six month, to all such Unitholders in whose folios and demat accounts there have been no transactions during that period.

In case of demat accounts with nil balance and no transactions in securities and in mutual fund folios, the Depository shall send account statement in terms of regulations applicable to the depositories.

#### **2. Unitholders who do not hold Demat Account**

The Account Statement containing details relating to all financial transactions (purchase, redemption, switch, systematic investment plan, systematic transfer plan, systematic withdrawal plan, Transfer of Income Distribution cum capital withdrawal plan, Payout of Income Distribution cum capital withdrawal option, Reinvestment of Income Distribution cum capital withdrawal option and bonus transactions) made by the unitholder across all mutual funds where PAN of the investor is registered and holding at the end of the month including transaction charges, if any, paid to the distributor, will be sent for each calendar month within 15th day of the succeeding month to the unitholders in whose folios transactions have taken place during that month.

The financial transactions processed from the 1st day of the month till 30/31 will be included in CAS, irrespective of trade date of the transaction.

The CAS detailing holding across all schemes of all mutual funds where PAN of the investor is registered, shall be sent at the end of every six months (i.e. September/ March), on or before 21<sup>st</sup> day of succeeding month to all mutual fund investors, excluding those investors who do not have any holdings in mutual fund schemes and where no commission against their investment has been paid to distributors, during the concerned half-year period. Such CAS shall reflect the closing balance and value of the Units as at the end of the month, the amount of actual commission paid by AMC to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme and scheme's average Total Expense Ratio (in percentage terms) for the half-year period, of both direct plan and regular plan.

For the purpose of sending CAS, common investors across mutual funds shall be identified by their PAN.

PAN identified as having a demat account by Depositories for generating CAS will not be considered while generating a Mutual Fund level CAS.

In case of a specific request received from the Unitholders, the AMC/Mutual Fund will provide the account statement to the Unitholder within 5 Business Days from the receipt of such request.

**B) Unitholders who have not registered their PAN with the Mutual Fund will receive the following:**

For normal transactions during ongoing sales and repurchase:

- The AMC shall issue to the investor whose application (other than SIP/STP) has been accepted, an account statement specifying the number of units allotted within 5 working days of allotment.

**For SIP / STP/ Reinvestment of Income Distribution cum capital withdrawal option units:**

- Account Statement for SIP and STP will be dispatched once every month along with IDCW reinvestment (daily, weekly, monthly) account statement All other IDCWs statements will be dispatched as and when the IDCW transaction is processed
- A soft copy of the Account Statement will be emailed to investors valid email id
- However, the first Account Statement under SIP/STP shall be issued within 10 working days of the initial investment/transfer.
- In case of specific request received from investors, Mutual Funds shall provide the account statement (SIP/STP) to the investors within 5 working days from the receipt of such request without any charges.

## **2. Half Yearly Disclosures/Portfolio Disclosures/Financial Results**

**Half-yearly Statement:**

- The AMC shall provide the Account Statement to the Unitholders who are not having Valid PAN excluding those investors who do not have any holdings in mutual fund schemes and where no commission against their investment has been paid to distributors, during the concerned half-

year period. The Account Statement shall reflect the latest closing balance and value of the Units across all schemes in the respective folio, prior to the date of generation of the account statement the amount of actual commission paid by AMC to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme and scheme's average Total Expense Ratio (in percentage terms) for the half-year period, of both direct plan and regular plan.

For those unitholders who have provided an e-mail address, the AMC will send the account statement by email.

The unitholder may request for a physical account statement by writing / calling us at any of the ISC.

The Account Statement issued by the AMC is a record of holdings in the scheme of Franklin Templeton Mutual Fund. Investors are requested to review the account statement carefully and contact their nearest Investor Service Centre in case of any discrepancy. The contents of the statement will be considered to be correct if no error is reported within 30 days from the date of receipt of the Account Statement.

### **Half-yearly results and Portfolio Disclosures**

The Mutual Fund shall within one month of the close of each half year i.e., 31st March and 30th September, upload the soft copy of its unaudited financial results containing the details specified in Regulation 59 on its website and shall publish an advertisement disclosing uploading of such financial results on its website, in one English newspaper having nationwide circulation and in one regional newspaper circulating in the region where the head office of the mutual fund is situated.

The Mutual Fund shall disclose portfolio as on the last day of the month / half-year for all their schemes on its website and on the website of AMFI within 10 days from the close of each month/ half-year respectively. In case of unitholders whose e-mail addresses are registered, the Mutual Fund/ AMC shall send via email both the monthly and half-yearly statement of scheme portfolio within 10 days from the close of each month/ half-year respectively.

Mutual Fund shall publish an advertisement every half-year disclosing the hosting of the half-yearly statement of its schemes portfolio on its website and on the website of AMFI. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi. Mutual Fund shall provide a physical copy of the statement of its scheme portfolio, without charging any cost, on specific request received from a unitholder.

### **3. Annual Report**

As required by the SEBI Regulations, the Fund will mail the schemewise annual report or an abridged summary thereof to all the unitholders as soon as practical after 31st March each year but not later than four months thereafter, as the Trustee may decide. In case of unitholders whose e-mail addresses are available with the Mutual Fund, the annual report or the abridged summary, as the case may be, would only be sent by email and no physical copies would be mailed to such

unitholders. However, those unitholders who still wish to receive physical copies of the annual report/abridged summary notwithstanding their registration of e-mail addresses with the Fund, may indicate their option to the AMC in writing and AMC shall provide the same at nominal price. For the rest of the investors, i.e. whose email addresses are not available with the mutual fund, the AMC shall send physical copies of scheme annual reports or abridged summary to those unitholders who have 'opted-in' to receive physical copies. The AMC shall display the link of the scheme annual reports or abridged summary prominently on the Fund's website and AMFI website and make the physical copies available to the investors at its registered office at all times.

**Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.**

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## Addenda to the Statement of Additional Information

### 1. Addendum dated July 19, 2024

#### Introduction of Value SIP Facility

“Value SIP” is a facility wherein an investor can opt to invest variable SIP installment amounts in the below open-ended schemes of Franklin Templeton Mutual Fund. This facility allows the investors to take advantage of market movements by investing higher amounts when the markets are undervalued, and lower amounts when the markets are overvalued.

#### **Applicable funds\*:**

- a. Franklin India NSE Nifty 50 Index Fund (Erstwhile Franklin India Index Fund- NSE NIFTY Plan)
- b. Franklin India Bluechip Fund
- c. Franklin India Flexi cap Fund (Erstwhile Franklin India Equity Fund)
- d. Franklin India Equity Advantage Fund
- e. Franklin India Prima Fund
- f. Franklin India Smaller Companies Fund
- g. Franklin India Focused Equity Fund
- h. Templeton India Value Fund
- i. Templeton India Equity Income Fund
- j. Franklin India Opportunities Fund
- k. Franklin Build India Fund
- l. Franklin India Multi Cap Fund

\* And any other equity-oriented fund launched by Franklin Templeton Mutual Fund after the release of this addendum.

#### Methodology of Value SIP Facility

- Value SIP amount will be calculated based on the trailing consolidated Price-to-earnings ratio (P/E) level of the Nifty 500 index.
  - Nifty 500 index P/E bands have been created with an investment multiple specified for each band. Please refer Table 1 -**Value SIP Band Structure** provided below.
  - The investor decides a Median Instalment Amount (X) at the time of registering for Value SIP facility.
  - Depending on the Nifty 500 index P/E applicable on the date of investment of Value SIP, the corresponding investment multiple gets determined from Table 1- Value SIP Band Structure.
  - This multiple is applied to the Median Instalment Amount (X) to determine the value SIP amount to be debited for that month.
- The SIP installment amount for each period shall be based on the trailing consolidated Price to Equity ratio of the Nifty 500 Index.

- A band structure basis the P/E level has been created as shown below, with an investment multiple linked to each band. The amount to be invested on each SIP debit date will be determined basis the investment multiple pertaining to the applicable band.

Table 1: Value SIP Band Structure	
Band	Investment Multiple
<9.99x	7 x
10 to 11.99	6 x
12 to 13.99	5 x
14-15.99	4 x
16-17.99	3 x
18-19.99	2 x
20-23.99	X (Median Instalment amount)
24-25.99	0.8 x
26-27.99	0.7 x
28-29.99	0.6 x
30-31.99	0.5 x
32 and above	0.4 x

**For example,**

Investor chooses Median Investment amount of INR 5000.

On the applicable date of investment, Nifty 500 P/E stands at 18x

Corresponding Investment multiple for 18x PE is 2 times (based on the Table 1- Value SIP Band Structure)

Value SIP amount eligible for debit = INR 5000 x 2 = INR 10000

Investor inputs:

- At the time of registration, the investor will be mandated to specify a **median installment amount ("X")**, which shall be linked to the median band (P/E 20-23.99) of the band structure. (Please refer Table 1- Value SIP Band Structure)
- Additionally, the investor has the option to define a cap for his/her investments.

**In case the investor fails to specify the investment cap value**, the default value shall be applicable as below – Highest investment multiple: 7X (7 times the median SIP instalment amount as specified by the investor)

**In case investor provides input for both** (a) SIP Investment Cap value and (b) selects SIP investment amount to be processed based on Value SIP band options, then input under option (a) will be considered as default option.

**Details for Value SIP Facility:**

<b>Features</b>	
Frequency	Monthly
Minimum SIP installment amount to be opted by investor (Median installment amount - X)*	INR 1000
Minimum SIP instalments:	12
Maximum SIP installment amount	7X OR as defined by investor

\*For a given period, in case the investment multiple linked to the applicable P/E band falls below INR 500, an amount of INR 500 shall still be processed as the installment for that period.

- A) This feature shall be available to investors only via the National automated clearing house (NACH) (for physical transaction) and Electronic-National automated clearing house (E-Nach) & UPI Autopay (only for online transactions).
- B) Dates available for SIP debits and the SIP termination rules shall be as applicable for regular SIP facility in the respective scheme.

**Debit date Cycles:**

The Nifty 500 consolidated P/E level is calculated and available on a daily basis. First instalment is processed for amount specified as “Median Instalment Amount (X)”. For all subsequent SIP investment amounts, the Nifty 500 P/E value considered will be as of T minus 4 business days, with T being the SIP date. In case the chosen SIP date falls on non-business day, the SIP will be processed on the next Business Day.

**Illustration of how the Value SIP works:**

Median instalment amount X (decided by investor)	5000
SIP date	30-May-XX
	24-May-XX
Nifty 500 PE date	(SIP date minus 4 business days)
Nifty 500 PE as of SIP date	24.21
Corresponding SIP multiple as per Nifty 500 PE	0.8 times
Value SIP Amount to be deducted on 30th May	<b>0.8 x 5000 = 4000</b>

20XX	
SIP date	30-Jun-XX
Nifty 500 PE as of SIP date (assumed)	19
Corresponding SIP multiple as per Nifty 500 PE	2 times
Value SIP Amount to be deducted on 30th June 20XX	<b>2 x 5000 = 10000</b>

The AMC / Trustee reserves the right to change / modify the terms and conditions under the Value SIP or withdraw the facility prospectively at a future date.

All other terms and conditions of the Scheme Information Document and Key Information Memorandum of the respective schemes, 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 respective schemes, read with the addenda.

## 2. Addendum dated August 02, 2024

### Corrigendum to the Notice cum Addendum to the Scheme Information Document/ Key Information Memorandum of schemes of Franklin Templeton Mutual Fund

With reference to the Notice-cum-Addendum dated July 19, 2024 on the introduction of Value SIP facility (Facility), investors are requested to note that the effective date for the introduction of the Facility has been postponed. The effective date will be communicated to the investors in due course.

All other terms and conditions of the Scheme Information Document and Key Information Memorandum of the respective schemes, 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 respective schemes, read with the addenda.

## 3. Addendum dated August 29, 2024

### Notice cum Addendum to the Statement of Additional Information, Scheme Information Document and Key Information Memorandum of schemes of Franklin Templeton Mutual Fund

With reference to the Notice-cum-Addendums dated July 19, 2024 and August 02, 2024 on the Value SIP facility (Facility), investors are requested to note that the Facility will be introduced w.e.f. 2<sup>nd</sup> September 2024.

All other terms and conditions of the Scheme Information Document and Key Information Memorandum of the respective schemes, read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for respective schemes, read with the addenda issued from time to time.

#### 4. Addendum dated September 17, 2024

##### Modification in the features of Systematic Transfer Plan (“STP”) Facility:

Unitholders / Investors are requested to take note of the following changes in the Statement of Additional Information, Scheme Information Documents and Key Information Memorandum of schemes of Franklin Templeton Mutual Fund under the header “SYSTEMATIC TRANSFER PLAN (STP)- Highlights” with effect from September 18, 2024.

Particulars	Existing feature	Revised feature																									
<b>Highlights</b>	<p>This facility is available to the investors of all open-end schemes of Franklin Templeton Mutual Fund, subject to the terms mentioned herein below. An investor can select this facility whereby the investor chooses to transfer on a periodic basis a pre-determined amount from any Franklin Templeton open-end scheme (Source Scheme) into any other Franklin Templeton open-end scheme (Destination Scheme) selected by the investor. The provision of “Minimum Redemption Amount” of the Source Scheme(s) and “Minimum Subscription Amount” of the Destination Scheme(s) shall not be applicable to STP.</p> <p>1) In order to start the STP facility, the minimum current value requirement in the Source Scheme is as follows:</p> <table border="1"> <thead> <tr> <th>Frequency</th> <th>Fixed Amount Option (Rs.)</th> <th>Capital Appreciation Option (Rs.)*</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>1,000/-</td> <td>Not available</td> </tr> <tr> <td>Weekly</td> <td>2,000/-</td> <td>5,00,000/-</td> </tr> <tr> <td>Monthly</td> <td>2,000/-</td> <td>1,00,000/-</td> </tr> <tr> <td>Quarterly</td> <td>2,000/-</td> <td>1,00,000/-</td> </tr> </tbody> </table> <p>*Except in Franklin India Liquid Fund (FILF), Franklin India Ultra Short Bond Fund (FIUBF), Franklin India Floating Rate Fund (FIRF) and Franklin India Money Market Fund (FIMMF) where the same should be Rs. 10 Lakhs for all frequencies.</p> <p>2) However, the following schemes/ plans/ options are not available as Source Scheme:</p> <ul style="list-style-type: none"> <li>• Franklin India Pension Plan (FIPEP)</li> <li>• Franklin India ELSS Tax Saver Fund</li> </ul> <p>3) Franklin India ELSS Tax Saver Fund is not available as Destination Scheme (under Capital Appreciation Option)</p>	Frequency	Fixed Amount Option (Rs.)	Capital Appreciation Option (Rs.)*	Daily	1,000/-	Not available	Weekly	2,000/-	5,00,000/-	Monthly	2,000/-	1,00,000/-	Quarterly	2,000/-	1,00,000/-	<p>This facility is available to the investors of all open-end schemes of Franklin Templeton Mutual Fund, subject to the terms mentioned herein below. An investor can select this facility whereby the investor chooses to transfer on a periodic basis a pre-determined amount from any Franklin Templeton open-end scheme (Source Scheme) into any other Franklin Templeton open-end scheme (Destination Scheme) selected by the investor. The provision of “Minimum Redemption Amount” of the Source Scheme(s) and “Minimum Subscription Amount” of the Destination Scheme(s) shall not be applicable to STP.</p> <p>1) In order to start the STP facility, the minimum current value requirement in the Source Scheme is as follows:</p> <table border="1"> <thead> <tr> <th>Frequency</th> <th>Fixed Amount Option (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>1,000/-</td> </tr> <tr> <td>Weekly</td> <td>2,000/-</td> </tr> <tr> <td>Monthly</td> <td>2,000/-</td> </tr> <tr> <td>Quarterly</td> <td>2,000/-</td> </tr> </tbody> </table> <p>The capital appreciation option under systematic transfer plan (CASTP) is available for Franklin Templeton funds that accept additional investments in multiples of INR 1.</p> <p>2) Franklin India Pension Plan (FIPEP) is not available as a Source Scheme under CASTP.</p> <p>3) Franklin India ELSS Tax Saver Fund and Franklin India Pension Plan are not available as Destination Scheme (under Capital Appreciation Option)</p>	Frequency	Fixed Amount Option (Rs.)	Daily	1,000/-	Weekly	2,000/-	Monthly	2,000/-	Quarterly	2,000/-
Frequency	Fixed Amount Option (Rs.)	Capital Appreciation Option (Rs.)*																									
Daily	1,000/-	Not available																									
Weekly	2,000/-	5,00,000/-																									
Monthly	2,000/-	1,00,000/-																									
Quarterly	2,000/-	1,00,000/-																									
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Daily	1,000/-																										
Weekly	2,000/-																										
Monthly	2,000/-																										
Quarterly	2,000/-																										

- 4) Options: There are two options available:
- a. Fixed Amount Option: A fixed amount can be transferred to the specified Destination Scheme at prescribed frequency; and
- b. Capital Appreciation Option: Capital appreciation in the Source scheme can be transferred to the specified Destination Scheme at prescribed frequency.

5) The Capital Appreciation option will be available only under the Growth plans/options of the Source schemes. NAV on the date of registration of STP request will be considered for calculating the capital appreciation of the first installment. For subsequent STP installments, NAV as on the date of previous STP installment processed with capital appreciation option will be considered. However, in case of any additional inflows in between the STP installments, the capital appreciation on such additional units will be the NAV difference between the additional purchase date and STP installment. (refer Illustration-2).

6) Frequency: The frequency can be Daily, Weekly, Monthly or Quarterly. The Daily frequency of transfer will be available only under Fixed Amount Option.

7) Transfer of Funds:

Transfer of Funds	Fixed Amount Option	Capital Appreciation Option
Daily STP	A fixed amount can be transferred to the specified Destination Scheme.	Not Applicable
Weekly STP	A fixed amount can be transferred on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week to the specified Destination Scheme.	The capital appreciation as on the immediately preceding business day for the Source Scheme can be transferred to the specified Destination Scheme, on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week as chosen by

4) Options: There are two options available:

a. Fixed Amount Option: A fixed amount can be transferred to the specified Destination Scheme at prescribed frequency; and

b. Capital Appreciation Option: Capital appreciation in the Source scheme can be transferred to the specified Destination Scheme at prescribed frequency. CASTP will trigger for the chosen frequency, if the minimum capital appreciation is INR 100 in the source fund as on the date of trigger. Under Capital Appreciation Option, there is no minimum amount requirement in the source fund for registration of CASTP.

Capital appreciation definition: First CASTP installment is computed as the difference in the NAV between transaction trigger date and commencement date for CASTP. Subsequent installments will be computed as the difference between the NAV as of current and immediately previous transaction trigger dates.

Daily frequency not available under capital appreciation STP.

5) The Capital Appreciation option will be available only under the Growth plans/options of the Source schemes. NAV on the date of registration of STP request will be considered for calculating the capital appreciation of the first installment. For subsequent STP installments, NAV as on the date of previous STP installment processed with capital appreciation option will be considered. However, in case of any additional inflows in between the STP installments, the capital appreciation on such additional units will be the NAV difference between the additional purchase date and STP installment. (refer Illustration-2).

6) Frequency: The frequency can be Daily, Weekly, Monthly or Quarterly. The Daily frequency of transfer will be available only under Fixed Amount Option.

7) Transfer of Funds:

Transfer of Funds	Fixed Amount Option	Capital Appreciation Option
Daily STP	A fixed amount can be transferred to the specified Destination Scheme.	Not Applicable
Weekly STP	A fixed amount can be transferred on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week to the specified Destination Scheme.	The capital appreciation as on the immediately preceding business day for the Source Scheme can be transferred to the specified Destination Scheme, on a pre-specified day* (Mon, Tue, Wed, Thu, Fri - to be chosen by the investor) of every week as chosen by the investor

		the investor
<b>Monthly STP/ Quarterly STP</b>	A fixed amount can be transferred on a pre-specified date (to be chosen by the investor) of every month/ every quarter to the specified Destination Scheme	The capital appreciation as on the last business day of every month/quarter can be transferred to the specified Destination Scheme

\* In case the chosen day of the week falls on non-business day, STP will be processed on the next Business Day.

8) In case the specified date is a non-business day for either the Source Scheme or the Destination Scheme, the STP will be processed on the following business day for both the schemes. The STP will be applicable subject to the terms of the destination scheme.

9) Minimum Amount and Term:

(a) Under the Fixed amount option

Frequency	Minimum Amount per transfer from Source Scheme	Minimum number of transfers	Minimum investment amount in Destination Scheme (INR)	Maximum duration
Daily	INR 500	2	$500 * 2 = 1000$	5 years
Weekly	INR 1000	2	$1000 * 2 = 2000$	5 years
Monthly	INR 1000	2	$1000 * 2 = 2000$	5 years
Quarterly	INR 1000	2	$1000 * 2 = 2000$	5 years

(b) Under Capital Appreciation Option, the minimum term shall be 6 months.

<b>Monthly STP/ Quarterly SIP</b>	A fixed amount can be transferred on a pre-specified date (to be chosen by the investor) of every month/ every quarter to the specified Destination Scheme	The capital appreciation as on the last business day of every month/quarter can be transferred to the specified Destination Scheme
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\* In case the chosen day of the week falls on non-business day, STP will be processed on the next Business Day.

8) In case the specified date is a non-business day for either the Source Scheme or the Destination Scheme, the STP will be processed on the following business day for both the schemes. The STP will be applicable subject to the terms of the destination scheme.

9) Minimum Amount and Term:

(a) Under the Fixed amount option

Frequency	Minimum Amount per transfer from Source Scheme	Minimum number of transfers	Minimum investment amount in Destination Scheme (INR)	Maximum duration
Daily	INR 500	2	$500 * 2 = 1000$	5 years
Weekly	INR 1000	2	$1000 * 2 = 2000$	Perpetual
Monthly	INR 1000	2	$1000 * 2 = 2000$	Perpetual
Quarterly	INR 1000	2	$1000 * 2 = 2000$	Perpetual

(b) Under Capital Appreciation Option, there is no minimum amount requirement for registration of CASTP. CASTP will trigger for the chosen frequency, if the minimum capital appreciation is INR 100 in the source fund as on the date of trigger. CASTP should be registered for a minimum term of 6 months. For weekly frequency, this will be 24 instalments, for monthly frequency this will be 6 instalments and for quarterly frequency this will be 2 instalments.

In case the investor doesn't specify the end date for a STP (fixed and capital appreciation options) or doesn't select the "Till Further Instructions" option (fixed and capital appreciation options), then the default STP period will be capped at 5 years.

10) Load: The load as applicable in the Source scheme for normal purchase/redemption shall be applicable. For all STP transactions, the load prevailing for the Destination scheme on the date of registration of the STP shall be applicable.

11) At least 5 Calendar days' prior intimation should be given to the Mutual Fund for commencement of a fresh STP or cancellation/termination of an existing STP.

12) If in case of a monthly/quarterly STP with Fixed Amount Option, if the unitholder specifies 30th or 31st of the month (28th/29th in case of February) as the "Specified Date" for the STP transaction, then the STP shall be processed on the day, which is the last business day in that month for both the schemes.

13) Where the Start Date of the STP is not mentioned, then for an STP under Monthly/Quarterly option, the Start Date shall be deemed as follows:

If STP is submitted	Then Start Date shall be deemed to be
On or before 8th day of the month	15th day of that month
After 8th day but on or before 23rd day of the month	last business day of that month for both the schemes
After 23rd day of the month	15th day of the next month

In case of Daily STP, the same shall be deemed to be the 8th day from the date of submission of the request at any of Franklin Templeton ISC / Collection Centres.

14) This facility is not available for investments under lock-in period or on which any lien or encumbrance is marked.

15) It shall be the responsibility of the investor to ensure that sufficient balance (free from any Lock-in or encumbrances) is available in the Source Scheme account on the date of transfer, failing which the transfer will not be effected. STP will be discontinued in case the transfer is not effected due to insufficient balance in the investor's account as per the below table.

Table 1. The cancellation process is applicable for both Fixed Amount and Capital appreciation option:

STP Frequency	Period in which no sufficient balance is available in Source Scheme to process an STP instalment	No. instalments the speci
Daily	1 month	30
Weekly	1 month	
Monthly	2 months	
Quarterly	3 months	

10) Load: The load as applicable in the Source scheme for normal purchase/redemption shall be applicable. For all STP transactions, the load prevailing for the Destination scheme on the date of registration of the STP shall be applicable.

11) At least 5 Calendar days' prior intimation should be given to the Mutual Fund for commencement of a fresh STP or cancellation/termination of an existing STP.

12) If in case of a monthly/quarterly STP with Fixed Amount Option, if the unitholder specifies 30th or 31st of the month (28th/29th in case of February) as the "Specified Date" for the STP transaction, then the STP shall be processed on the day, which is the last business day in that month for both the schemes.

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Table 1. The cancellation process is applicable for both Fixed Amount and Capital appreciation option:

STP Frequency	No. of STP instalments for which no sufficient balance is available in Source Scheme to process the STP instalment
Daily	30 days
Weekly	4
Monthly	2
Quarterly	1

The CASTP will follow a cancellation process as given below.

CASTP Frequency	Period in which no sufficient balance is available in Source	No. of consecutive CASTP instalments for which no sufficient balance is available in Source Scheme to process the CASTP instalment or

			<b>Scheme to process an STP instalment</b>	<b>when the value of CASTP is less than INR 100/-</b>
		Weekly	2 months	8
		Monthly	6 months	6
		Quarterly	6 months	2
16) The AMC/Trustees reserve the right to discontinue or modify the STP facility at any time in future on a prospective basis.		16) The AMC/Trustees reserve the right to discontinue or modify the STP facility at any time in future on a prospective basis.		

All other terms and conditions of the Statement of Additional Information, Scheme Information Documents and Key Information Memorandum of schemes of Franklin Templeton Mutual Fund, read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for respective schemes, read with the addenda issued from time to time.

4. Addendum dated September 25, 2024

#### Shifting of Panjim Branch Office

The Franklin Templeton Branch Office [Investor Service Centre (ISC)] situated at Panjim will shift to the following address w.e.f. September 30, 2024:

Name of the Branch	Old Address	New Address	Effective date
Panjim (Goa)	<b>Franklin Templeton Asset Management (India) Pvt. Ltd.</b> J N Chambers, Third floor, Opp. Mahalaxmi Chambers, Dr. Shirgaonkar Road, Panaji, Goa - 403001	<b>Franklin Templeton Asset Management (India) Pvt. Ltd.</b> Office Premises no.201, Unit No. PNJ B-O9, Level 2, 1st Floor, Nova Goa Building, Dr. Atmaram Borkar Road, Panaji, Goa- 403001.	September 30, 2024

The above ISC will be an "Official Point of Acceptance of Transactions" of Franklin Templeton Mutual Fund.

Please note that the existing Branch office at Panjim will be operational upto end of business day on September 27, 2024.

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for respective schemes, read with the addenda issued from time to time.

5. Addendum dated September 25, 2024

**Appointment of Key personnel:**

Mr. Shyam Sundar Sriram has been appointed as a Portfolio manager of Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL) effective September 26, 2024.

Accordingly, he will be considered as the Key personnel of Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL) effective September 25, 2024.

Details of the same are as follows:

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Shyam Sundar Sriram	42 years	Associate Vice President - Equities	PGDM (IIM Ahmedabad) equivalent to MBA  B.E (Electronics and Communication - College of Engineering, Guindy, Anna University)	17.5 years	Associate Vice President - Equities of Franklin Templeton Asset Management (India) Pvt. Ltd (based in Chennai) - Since Oct 2022- till date.  He is responsible for research in Cement and Consumer Discretionary sectors  <u>Prior Assignments:</u> Equity Analyst at Sundaram Mutual Fund - March 2018-Sep 2022  Equity Analyst at JM financial - Jul 2015 -Feb 2018  Equity associate - Cognizant technology (for UBS, Mumbai) - Jan 2014 - Aug 2014  Associate Vice President - IIFL wealth management - Jun 2011 - Nov 2013.

### Change in Fund Manager:

Mr. Varun Sharma ceases to be the Fund Manager of Franklin Templeton Mutual Fund with effect from close of business hours on September 25, 2024. Accordingly, he also ceases to be key personnel.

Consequently, all references to Mr. Varun Sharma in the Statement of Additional Information ("SAI") stand deleted.

Effective September 26, 2024, the Fund Manager of following schemes shall be changed as follows:

<b>Fund Name</b>	<b>Existing Fund Manager(s)</b>	<b>New Fund Manager (s)</b>
Franklin Asian Equity Fund	<ul style="list-style-type: none"><li>• Varun Sharma</li><li>• Sandeep Manam (dedicated for foreign securities)</li></ul>	<ul style="list-style-type: none"><li>• Shyam Sundar Sriram</li><li>• Sandeep Manam (dedicated for foreign securities)</li></ul>
Franklin India NSE Nifty 50 Index Fund	<ul style="list-style-type: none"><li>• Varun Sharma</li><li>• Sandeep Manam (dedicated for foreign securities)</li></ul>	<ul style="list-style-type: none"><li>• Shyam Sundar Sriram</li><li>• Sandeep Manam (dedicated for foreign securities)</li></ul>

All other terms and conditions of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum of above-mentioned schemes, read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for above-mentioned schemes, read with the addenda issued from time to time.

### 6. Addendum dated September 26, 2024

#### Addition to the Official Point of Acceptance of Transactions:

With a view to increase the network and enhance the service levels for investors, Franklin Templeton Mutual Fund ("FTMF") hereby declares the below branch office of Computer Age Management Services Limited ("CAMS"), termed as "Collection Centre", as the Official Point of Acceptance of Transaction ("OPAT") of FTMF in addition to the existing OPATs effective October 1, 2024.

<b>Name of the Branch</b>	<b>Address</b>
Sikar (Rajasthan)	CAMS, C/O Gopal Sharma & Company, Third Floor Sukhshine Complex, Near Geetanjali Book depot, Tapadia Bagichi, Sikar - 332001, Rajasthan
Sonepat (Haryana)	CAMS, SCO - 12, 1st Floor, Pawan Plaza, Atlas Road, Subhash Chowk, Sonepat - 131001, Haryana

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for respective schemes, read with the addenda issued from time to time.

## 7. Addendum dated October 3, 2024

Addendum to the Statement of Additional Information, Scheme Information Documents and Key Information Memorandum of schemes of Franklin Templeton Mutual Fund

### Change in Fund Manager:

Effective October 4, 2024, the Fund Manager of select schemes of Franklin Templeton Mutual Fund shall be changed as follows:

<b>Fund Name</b>	<b>Existing Fund Manager(s)</b>	<b>New Fund Manager (s)</b>
Franklin India Pension Plan	<ul style="list-style-type: none"> <li>• Anuj Tagra (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Varun Sharma (Equity Portion)</li> </ul>	<ul style="list-style-type: none"> <li>• Anuj Tagra (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Ajay Argal (Equity Portion)</li> </ul>
Franklin India Equity Hybrid Fund	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Varun Sharma (Equity Portion)</li> <li>• Chandni Gupta (Debt Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Ajay Argal (Equity Portion)</li> <li>• Chandni Gupta (Debt Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>
Franklin India Debt Hybrid Fund	<ul style="list-style-type: none"> <li>• Rahul Goswami (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Varun Sharma (Equity Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Rahul Goswami (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>
Franklin India Multi-Asset Solution Fund of Funds	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu</li> <li>• Varun Sharma</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu</li> <li>• Venkatesh Sanjeevi</li> </ul>
Franklin India Dynamic Asset Allocation Fund of Funds	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu</li> <li>• Varun Sharma</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu</li> <li>• Venkatesh Sanjeevi</li> </ul>

<b>Fund Name</b>	<b>Existing Fund Manager(s)</b>	<b>New Fund Manager (s)</b>
Franklin India Equity Savings Fund	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Varun Sharma (Equity Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>
Franklin India Technology Fund	<ul style="list-style-type: none"> <li>• Varun Sharma,</li> <li>• R. Janakiraman</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• R. Janakiraman</li> <li>• Venkatesh Sanjeevi</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>
Franklin India Focused Equity Fund	<ul style="list-style-type: none"> <li>• Ajay Argal</li> <li>• Varun Sharma</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Ajay Argal</li> <li>• Venkatesh Sanjeevi</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>
Franklin India Balanced Advantage Fund	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Varun Sharma (Equity Portion)</li> <li>• Rahul Goswami (Debt Portion)</li> <li>• Chandni Gupta (Debt Portion),</li> <li>• Anuj Tagra (Debt Portion),</li> <li>• Sandeep Manam (Dedicated Fund Manager for overseas investments)</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Rahul Goswami (Debt Portion)</li> <li>• Chandni Gupta (Debt Portion),</li> <li>• Anuj Tagra (Debt Portion),</li> <li>• Sandeep Manam (Dedicated Fund Manager for overseas investments)</li> </ul>

All other terms and conditions of the Scheme Information Document and Key Information Memorandum of above-mentioned schemes, 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 above-mentioned schemes, read with the addenda issued from time to time.

## 8. Addendum dated October 9, 2024

### Addendum to the Statement of Additional Information, Scheme Information Documents and Key Information Memorandum of schemes of Franklin Templeton Mutual Fund

Appointment of Key personnel:

Mr. Rohan Maru has been appointed as Vice President & Portfolio manager of Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL) effective October 07, 2024.

Accordingly, he will be considered as the Key personnel of Franklin Templeton Asset Management (India) Pvt. Ltd. (FTAMIL).

Details of Mr. Rohan Maru are as follows:

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Rohan Maru	40 years	Vice President & Portfolio Manager - Fixed Income	PGEMBA - Mumbai Education Trust (Finance)  Masters in Commerce - RA Podar College, Mumbai University  Bachelors in management studies - VES College, Mumbai University.	16.5 years	<b>Vice President- Portfolio Manager, Fixed Income</b> (based in Mumbai).  He is responsible for Portfolio Management - Fixed Income.  <b>Prior Assignments (last 10 years):</b>  ICICI Prudential Asset Management Company Pvt Ltd (05 November 2012 till 27 September 2024)

### Change in Fund Manager:

Effective October 10, 2024, the Fund Manager of following schemes shall be changed as follows:

Fund Name	Existing Fund Manager(s)	New Fund Manager (s)
Franklin India Overnight Fund	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Chandni Gupta</li> </ul>	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Rohan Maru</li> </ul>
Franklin India Liquid Fund	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Chandni Gupta</li> </ul>	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Rohan Maru</li> </ul>
Franklin India Ultra Short Duration Fund	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Rahul Goswami</li> </ul>	<ul style="list-style-type: none"> <li>• Rohan Maru</li> <li>• Pallab Roy</li> <li>• Rahul Goswami</li> </ul>
Franklin India Money Market Fund	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Chandni Gupta</li> <li>• Rahul Goswami</li> </ul>	<ul style="list-style-type: none"> <li>• Rohan Maru</li> <li>• Chandni Gupta</li> <li>• Rahul Goswami</li> </ul>

<b>Fund Name</b>	<b>Existing Fund Manager(s)</b>	<b>New Fund Manager (s)</b>
Franklin India Floating Rate Fund	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Chandni Gupta</li> <li>• Sandeep Manam(dedicated for foreign Securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Pallab Roy</li> <li>• Rohan Maru</li> <li>• Sandeep Manam(dedicated for foreign Securities)</li> </ul>
Franklin India Debt Hybrid Fund	<ul style="list-style-type: none"> <li>• Rahul Goswami (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Rohan Maru (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Rahul Goswami (Debt Portion)</li> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Sandeep Manam (dedicated for foreign Securities)</li> </ul>
Franklin India Equity Savings Fund	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Pallab Roy (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>	<ul style="list-style-type: none"> <li>• Rajasa Kakulavarapu (Equity Portion)</li> <li>• Venkatesh Sanjeevi (Equity Portion)</li> <li>• Anuj Tagra (Debt Portion)</li> <li>• Rohan Maru (Debt Portion)</li> <li>• Sandeep Manam (dedicated for foreign securities)</li> </ul>

All other terms and conditions of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum of above-mentioned schemes, read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum issued for above-mentioned schemes, read with the addenda issued from time to time.

#### 9. Addendum dated October 24, 2024

##### **Change in Directorship of Franklin Templeton Trustee Services Private Limited**

The below changes have been carried out in the constitution of the Board of Directors of Franklin Templeton Trustee Services Private Limited ('the Company').

**Mr. Sanjay Johri** has stepped down from the directorship of the company effective close of business hours of October 14, 2024.

**Mr. Nikhilesh Panchal** has been appointed as Director on the Board of Franklin Templeton Trustee Services Pvt. Ltd with effect from October 15, 2024.

**Details of the same are as follows:**

<b>Name</b>	<b>Age</b>	<b>Educational Qualifications</b>	<b>Brief Experience</b>
Nikhilesh Panchal (Independent)	57 years	L.L.B (Government Law College)- 1991	Mr. Nikhilesh Panchal is a corporate lawyer with over 25 years of experience in various legal domains. His expertise spans mergers &

Director)		<p>L.L.M (Commercial Laws) - 1996)</p> <p>Solicitor (Mumbai)- 1995</p> <p>Solicitor (England &amp; Wales) (Non-practicing)- 1997</p>	<p>acquisitions, securities law, joint ventures, capital markets, intellectual property rights, licensing, technology transfers, and maritime law. He was a founding member of the Capital Market Practice at his firm, where he led numerous high-value public, domestic primary, equity, and debt capital market transactions. He has also been instrumental in the international listing of Indian and foreign companies with a domestic presence. In his early years of practice, he had handled numerous contested matters involving intellectual property rights, commercial litigations, succession and probate, and maritime laws before the High Courts in India and the Supreme Court.</p> <p>Details of other Directorships are as under:</p> <ol style="list-style-type: none"> <li>1. Swaraj Engines Limited</li> <li>2. Ashoka Buildcon Limited</li> <li>3. Mahindra Last Mile Mobility Limited</li> <li>4. Bristlecone India Limited</li> <li>5. Unilever India Exports Limited</li> <li>6. MSL Driveline Systems Limited.</li> <li>7. Avendus Finance Private Limited</li> <li>8. Neilsoft Private Limited.</li> <li>9. Lakme Lever Private Limited</li> <li>10. Jaora-Nayagaon Toll Road Company Private limited</li> </ol>
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This addendum forms an integral part of the Statement of Additional Information of Franklin Templeton Mutual Fund, read with the Addenda issued from time to time.

All the other terms and conditions of the Statement of Additional Information will remain unchanged.

## Annexure

### 1. Annexure I

## VALUATION METHODOLOGY

### 1. Valuation of Debt & Money Market Instruments:

#### a. Sovereign Securities##

##### POLICY

Valued basis average of security level prices received from AMFI appointed/designated agencies viz: CRISIL and ICRA.

*In the event of non-availability of the security level price from any one of the agencies, it will be valued at the sole price, provided by one agency.*

**##Sovereign securities shall mean Securities Issued by the Central Government and/or State Government and/or any security unconditionally guaranteed by the Central Government and/or State Government for repayment of Principal and Interest**

#### b. Debt & Money Market Instruments with rating equal to or above investment grade - excluding Sovereign Securities

##### POLICY

Valued basis average of security level prices received from AMFI appointed/designated agencies viz: CRISIL and ICRA.

*In the event of non-availability of the security level price from any one of the agencies, it will be valued at the sole price, provided by one agency.*

If security level price for new security purchased (primary allotment or secondary market) is not available, the security will be valued at purchase yield of security.

##### a. Valuation of securities with Put/Call Options

**i. Securities with call option** - The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

**ii. Securities with Put option** - The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

##### iii. Securities with both Put and Call option

a. Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued

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accordingly.

- b. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis,
  - i. Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price.
  - ii. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price.
  - iii. In case no Put Trigger Date or Call Trigger Date ("Trigger Date") is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date.

In respect of valuation of securities with put option, if the put option is not exercised, while exercising the put option would have been in favor of the scheme.

- i) A justification for not exercising the put option shall be provided to the Agencies, Board of AMC and Trustees on or before the last date of the notice period.
- ii) Agencies shall not take into account the remaining put options for the purpose of valuation of the security

The put option shall be considered as 'in favour of the scheme' if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points

### **b. Any changes to terms of an investment**

While making any change to terms of an investment, following conditions shall be adhered to:

- i. Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation.
- ii. If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation.
- iii. Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.

### **c. Treatment of Upfront Fees on Trades**

- i. Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of security.
- ii. Details of such upfront fees would be shared on the trade date to the valuation agencies as

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part of the trade reporting to enable them to arrive at the fair valuation for that date.

- iii. For the purpose of accounting, such upfront fees shall be reduced from the cost of the investment in the scheme that made the investment.
- iv. In case upfront fees are received across multiple schemes, such upfront fees shall be shared on a pro-rata basis across such schemes.

*c. Valuation & accounting treatment of debt and money market instruments (excluding Sovereign securities) irrespective of the residual maturity which are rated below investment grade and future recoveries.*

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**Valuation:**

**Valued basis average of security level prices received from AMFI appointed/designated agencies viz: CRISIL and ICRA**

*In the event of non-availability of the security level price from any one of the agencies, it will be valued at the sole price, provided by one agency*

If security level prices are not available from any of the agencies, then the securities will be valued on the basis of indicative haircuts provided by these agencies

If security is traded, security shall be valued at lower of weighted average traded price available on public platform or valuation price / price arrived basis indicative haircut provided by valuation agencies

The qualification criteria for trades shall be of a minimum size as determined by valuation agencies

**Accounting treatment on Interest accrual:**

In case of securities classified as default, no further interest accrual shall be made. For other below investment grade rated securities indicative haircut applied to the principal will also be applied to accrued interest portion

**Treatment on Future Recovery:**

Any recovery towards the asset classified as below investment grade or default will be accounted/ adjusted in following order of priority:

1. Outstanding Interest recognised in NAV and any balance shall be adjusted against the value of principle recognised in the NAV
2. Any recovery in excess of the carried value (i.e. the value recognised in NAV) should then be applied first towards amount of interest written off and then towards amount of principle written off.

**2. Valuation of securities other than debt and money market securities:**

ASSETS	POLICY
<p><b>Traded Securities - equity / equity related security (such as convertible debentures, equity warrants, exchange traded fund etc.)/preference shares</b></p>	<ul style="list-style-type: none"> <li>➤ On a particular valuation day, these securities will be valued at the last quoted closing price on the National Stock Exchange of India Limited (NSE). If a security is not traded on NSE, it will be valued at the last quoted closing price on the Bombay Stock Exchange Limited (BSE). If a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price on NSE or BSE (in the order of priority) on the earliest previous day would be used, provided such day is not more than thirty days prior to the valuation day.</li> <li>➤ If the security cannot be priced as per the aforementioned criteria, then the valuation will be determined by the Valuation Committee based on the principles of fair valuation. While fair valuing the security, the Valuation Committee will also consider if the price of the security is available on any other recognized stock exchange other than NSE and BSE and if the same is reliable/ can be considered for fair valuation.</li> </ul>
<p><b>Thinly Traded Securities</b></p>	<p>When trading in an equity / equity related security (such as convertible debentures, equity warrants etc.)/preference shares in a month is less than Rs.5 lakh and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued as per the valuation principles laid down in the SEBI.</p> <p>For example, if the volume of trade is 100,000 and value is Rs. 400,000, the share does not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rs. 600,000, the share does not qualify as thinly traded.</p> <p>In order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.</p> <p>Where a stock exchange identifies the “thinly traded” securities by applying the above parameters for the preceding calendar month and publishes/provides the required information along with the daily quotations, the same may be used by the mutual fund.</p> <p>If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above</p>

ASSETS	POLICY
	criteria to check whether such securities are thinly traded which would then be valued accordingly.
<b>Suspended equity securities</b>	In case trading in an equity security is suspended up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Valuation Committee will decide the valuation norms to be followed and such norms would be documented and recorded.
<b>Non-traded / thinly traded equity securities</b>	<p>a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:  Net Worth per share = [share capital + reserves (excluding revaluation reserves) - Misc. expenditure and Debit Balance in P&amp;L A/c] Divided by No. of Paid up Shares.</p> <p>b) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.</p> <p>c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.</p> <p>d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.</p> <p>e) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.</p> <p>f) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.</p> <p>To determine if a security accounts for more than 5% of the total assets of the scheme, it would be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.</p>

ASSETS	POLICY
<p><b>Unlisted Equity Shares</b></p>	<p>a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:</p> <p>(i) Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.</p> <p>(ii) Net worth per share shall again be calculated after taking into account the outstanding warrants and options, and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}.</p> <p>The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.</p> <p>b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.</p> <p>c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.</p> <p>The above methodology for valuation shall be subject to the following conditions:</p> <p>i. All calculations as aforesaid shall be based on audited accounts.</p> <p>ii. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.</p> <p>iii. If the net worth of the company is negative, the share would be marked down to zero.</p> <p>iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.</p>

ASSETS	POLICY
	<p>v. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.</p>
<p><b>Equity and Equity related securities under lock in period / pending listing</b></p>	<p>a. Illiquidity discount will be Nil for securities which are pending listing or where the lock-in is less than 3 months.</p> <p>b. If the securities which are pending listing are not listed within 3 months or lock-in period for these securities is greater than 3 months, then the Valuation Committee will decide on the illiquidity discount to be applied, on a case to case basis.</p>
<p><b>Valuation of Convertible Debentures and Bonds</b></p>	<p>In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded paripassu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in;</p>
<p><b>Valuation of Warrants</b></p>	<p>In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures must be deducted to account for the period which must elapse before the warrant can be exercised.</p> <p>If the warrants are traded, then the traded price will be considered for valuation.</p>
<p><b>Value of "Rights" entitlement</b></p>	<p>a. Until they are traded, the value of the "rights" entitlement would be calculated as:</p> $V_r = \frac{n}{m} \times (P_{ex} - P_{of})$ <p>where  V<sub>r</sub> = Value of rights  n = no. of rights Offered  m = no. of original shares held</p>

ASSETS	POLICY
	<p>Pex = Ex-Rights price Pof = Rights Offer price</p> <p>b. Where the rights are not traded pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.</p> <p>c. If the rights are traded, then the traded price will be considered for valuation.</p>
<p><b>Foreign Securities (other than units of overseas mutual funds / unit trusts which are not listed):</b></p>	<p>There are no specific SEBI guidelines on valuation of foreign securities at present. In the absence of any guidelines, the following policy would be followed:</p> <ul style="list-style-type: none"> <li>➤ On a particular valuation day, the foreign equities will be valued at the last available traded or quoted price on the relevant stock exchange around the time of closure of Indian stock markets (which is currently 3:30 p.m. IST). In case of schemes eligible to invest in foreign securities wherein the NAV is computed and declared on the next business day, the foreign securities would be valued at the last available traded or quoted price on the relevant stock exchange at the time of computation of NAV (which is currently around 3:30 a.m. IST). If it is determined that market quotations (last traded/quoted prices) are not readily available or reliable for a particular security, the Valuation Committee <i>reserves the right to fair value the security and may consider provisions of Franklin Templeton Global Pricing Policies and Procedures</i> for the same. Additionally, if it is determined that a significant market event has occurred after security prices were established for a particular market or exchange but prior to the time of the NAV computation (3:30p.m. IST/ 3:30 a.m. IST, as the case may be), the AMC reserves the right to <i>fair value the security</i> in accordance with Franklin Templeton <i>Global Pricing Policies and Procedures</i>.</li> <li>➤ Valuation of Foreign Exchange Conversion: On the valuation day, all the assets and liabilities in foreign currency will be valued in Indian Rupees on the basis of Foreign Exchange rate quoted on Bloomberg/Reuters</li> </ul>

ASSETS	POLICY
	<p>around the time such assets and liabilities are valued (which is currently around 3:30 p.m. IST). The Trustees/AMC reserves the right to change the source for determining the exchange rate. The reasons for the change in the source for determining the exchange rate will be recorded in writing.</p> <ul style="list-style-type: none"> <li>➤ In case of subscription in subsequent public offer of an existing listed foreign security, we shall value the share at lower of cost or listed price till the new shares are listed.</li> <li>➤ ADR / GDR - Listed: Last traded price of the market closed will be captured and considered for valuation. In case of schemes eligible to invest in ADR/ GDR wherein the NAV is computed and declared on the next business day, the ADR/ GDR would be valued at the last available traded or quoted price on the relevant stock exchange at the time of computation of NAV (which is currently around 3:30 a.m. IST). Unlisted: Price will be considered as per the issued terms of the underlying ordinary equity shares.</li> </ul>
<p><b>Equity and Equity related Securities awaiting listing (Merger/Demerger)</b></p>	<p>Valuation of merged entity will be arrived at by summation of previous day's last quoted closing price of the respective companies prior to merger.</p> <p>Where the demerged company is not immediately listed, valuation price will be worked out by using previous day's last quoted closing price before demerger reduced for last quoted closing price of the listed company.</p>
<p><b>Initial Public Offering (IPO) Application (prior to allotment)</b></p>	<p>Valued at Bid Price</p>
<p><b>Qualified Institutional Placement (QIP) / Follow on Public Offer (FPO)</b></p>	<p>Valued at Bid price or Market price, whichever is lesser.</p>

ASSETS	POLICY
<b>Valuation for Buy-back shares</b>	<p>In case of full buyback, all the shares will be valued at the buyback price.</p> <p>In case of partial buy back, wherein eligibility of every shareholder is as per a pre-specified buyback ratio, all the shares including eligible buy back shares will be valued at last quoted closing price till the record date. Post record-date, the confirmed buyback shares will be valued at buy-back price if the buy-back price is higher than market price. If buy-back price is less than market price, all the shares including confirmed buyback shares will continue to be valued at last quoted closing price.</p> <p>In the case of market buyback or tender offer, where the company is seeking to buy back certain quantum of paid-up shares without any specific eligibility set aside for shareholders, the shares will be valued at last quoted closing price.</p>

**3. INTERSCHEME prices for Debt & Money Market Instruments with rating equal to or above investment grade including Sovereign Securities##**

<p><b>Valued basis average of prices received from independent agencies i.e. CRISIL and ICRA.</b></p> <p><b>If the Inter-scheme price is not available from any one of the agencies, it will be valued at the price provided by the agency from which the price is received.</b></p> <p><b>If the Inter-scheme price is not available from any of the agencies, it will be valued as follows:</b></p> <p>Inter-scheme price will be weighted average traded price available on public platform.</p> <p>Qualification criteria for considering the trades on the public platform: at least one trade of Rs.5 Crores or more for Bonds and at least one trade of Rs.25 Crores or more for Money Market Instruments.</p> <p>Order of preference for the public platforms :</p> <p><b>a. Debt and Money Market Instruments excluding Sovereign Securities ##</b></p> <ol style="list-style-type: none"> <li>1. FIMMDA</li> <li>2. NSE</li> <li>3. BSE</li> </ol> <p><b>b. Sovereign Securities ##</b></p> <ol style="list-style-type: none"> <li>1. CCIL Website</li> <li>2. NDS-OM</li> </ol> <p>If market trades satisfying the above criteria are not available on the public platforms, then the valuation will be determined by the Valuation Committee based on the principles of fair valuation</p>	<p>Valuation methodology same as per Debt &amp; Money Market Instruments with rating equal to or above investment grade - excluding Sovereign Securities##</p>
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#### 4. Others

Assets	Existing Policy
<b>a. Bank Fixed Deposit, CBLO / Reverse Repo</b>	Valued at cost
<b>b. Mutual Fund Units (Indian)</b>	Last Published/Computed NAV
<b>c. Mutual Fund Units (Overseas)</b>	Last Published/Computed NAV
<b>d. Interest Rate Swap (IRS)</b>	<p>IRS will be valued as the difference between the value of fixed and floating leg.</p> <p>Fixed leg will be valued basis average of security level prices received from AMFI appointed/ designated agencies viz: CRISIL and ICRA, floating leg will be considered at par.</p> <p><i>In the event of non-availability of the security level price from any one of the agencies, it will be valued at the sole price, provided by one agency.</i></p> <p><i>In the event of non-availability of security level price from both agencies IRS shall be valued at net present value based on expected future cash flows.</i></p> <p>Future cash flows for contract will be computed daily based as per the terms of the contract and discounted by suitable Overnight Index swap (OIS) rates available Bloomberg /Reuters/ Financial Benchmark India Pvt Ltd (FBIL).</p>
<b>e. Forward Rate Agreement (FRA).</b>	<p>FRA shall be valued at net present value on the basis of expected future cash flows.</p> <p>Future cash flows for FRA contract will be computed daily based as per the terms of the contract and discounted by suitable Overnight Index swap (OIS) rates available Bloomberg /Reuters/ Financial Benchmark India Pvt Ltd (FBIL).</p>

<p><b>f. Real Estate Investments Trusts (REITs)/Infrastructure Investment Trust (InvITs)</b></p>	<p>On a particular valuation day, these securities will be valued at the last quoted closing price on the National Stock Exchange of India Limited (NSE)*. If a security is not traded on NSE, it will be valued at the last quoted closing price on the Bombay Stock Exchange Limited (BSE). If a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price on NSE or BSE (in the order of priority) )# on the earliest previous day would be used, provided such day is not more than thirty days prior to the valuation day.</p> <p>If the security cannot be priced as per the aforementioned criteria, then the valuation will be determined by the Valuation Committee based on the principles of fair valuation. While fair valuing the security, the Valuation Committee will also consider if the price of the security is available on any other recognized stock exchange other than NSE and BSE and if the same is reliable/ can be considered for fair valuation.</p>
<p><b>g. Valuation of Derivative Products</b></p>	<p>a. The traded derivative shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the SEBI Regulations.</p> <p>b. The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI Regulations.</p>
<p><b>h. Valuation of Repo</b></p>	<p>Where instruments have been bought on 'repo' basis, the instrument must be valued at the resale price after deduction of applicable interest up to date of resale. Where an instrument has been sold on a 'repo' basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest up to date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.</p>
<p><b>i. Intimation by Dealers and Portfolio Managers</b></p>	<p>a. Dealers and Fund Managers shall provide appropriate inputs to the valuation agencies ('agencies') or the valuation committee ('committee') of the Asset Management Company. Any material deviation in valuation, as defined by the Asset Management Company, shall also be highlighted to the agencies and the committee of the Asset Management Company. Thereby, if the Dealers and Fund Managers are aware of any information which impacts the valuation and according to them that impact is not fully considered by the agencies, then the same shall be highlighted to the agencies and the committee in case the agencies valuation is beyond plus/ minus the defined materiality threshold vis-à-vis the</p>

	<p>expected valuation</p> <p><b>b.</b> Any changes to the terms of investment, which may have an impact on valuation, shall be reported immediately by the portfolio managers for further reporting to the valuation agencies</p>
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## 2. Annexure II

### *Waterfall Mechanism for valuation of money market and debt securities*

Pursuant to SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, the AMFI appointed valuation agencies shall follow a waterfall approach for the valuation of money market and debt securities as prescribed by AMFI in consultation with SEBI. Accordingly, AMFI has issued the following standard guidelines:

#### **Part A: Valuation of Money Market and Debt Securities other than G-Secs**

##### **1. The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:**

1. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN
2. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below)
3. VWAY of secondary trades of same issuer, similar maturity
4. VWAY of primary issuances through fixed price auction of same issuer, similar maturity
5. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below)
6. VWAY of secondary trades of similar issuer, similar maturity
7. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity
8. Construction of matrix (polling may also be used for matrix construction)

9. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

1. Monetary / Credit Policy
2. Union Budget
3. Government Borrowing / Auction Days
4. Material Statements on Sovereign Rating
5. Issuer or Sector Specific events which have a material impact on yields
6. Central Government Election Days
7. Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.-

## 2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

<b>Residual Tenure of Bond to be priced</b>	<b>Criteria for similar maturity</b>
Upto 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

- a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.
- b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.
- c. The changes / deviations mentioned in clauses a and b, above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

## 3. Process for determination of similar issuer

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

- I. Issuers within same sector/industry and/or
- II. Issuers within same rating band and/or
- III. Issuers with same parent/ within same group and/or

- IV. Issuers with debt securities having same guarantors and/or
- V. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

#### 4. Recognition of trades and outlier criteria

##### i. Volume criteria for recognition of trades (marketable lot)

Paragraph 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, marketable lot is defined as under. The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 cr for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	INR 25 cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCD/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

##### ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

- a. Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.

b. The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.

c. Potential outlier trades which are identified through objective criteria defined above will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.

d. The following criteria shall be used by valuation agencies in determining Outlier Trades

Liquidity Classification	Bps Criteria (Yield movement over Previous Day yield after accounting for yield movement of matrix)		
	Upto 15 days	15-30 days	Greater than 30 days
Liquid	30 bps	20 bps	10 bps
Semi-liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

e. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

**Liquidity classification criteria κ– Liquid, semi-liquid and Illiquid definition**

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria

- a. Trading Volume
- b. Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

**Trading Volume (Traded days) based criteria:**

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

- Liquid >=50% of trade days
- Semi liquid >=10% to 50% trade days
- Illiquid <10 % of trade days

**Spread based criteria:**

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as upto 15 bps for liquid; >15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD- upto 25 bps for liquid; >2550 bps for semiliquid; > 50 bps for illiquid. (Here, spread is computed as average spread of issuer over AI+/AAA CD Bank matrix).

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

#### 5. Process for construction of spread matrix

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix:

Steps	Detailed Process
Step 1	Segmentation of corporates- The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: 1. Public Sector Undertakings/Financial Institutions/Banks; 2. Non-Banking Finance Companies -except Housing Finance Companies; 3. Housing Finance Companies; 4. Other Corporates
Step 2	Representative issuers – For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating (I.e. "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector. It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on.
Step 3	Calculation of benchmark curve and calculation of spread – 1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the

Steps	Detailed Process
	<p>securities of the representative issuer is available, polling shall be conducted from market participants</p> <p>4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer.</p> <p>5. Spread will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given</p>
Step 4	<p>1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances.</p> <p>2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered.</p> <p>3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.</p>

**Part B :**

**Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL)**

☐ The following is the waterfall mechanism for valuation of Government securities:

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quotes, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. ■ Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

### 3. Annexure III

Abbreviation	Expansion
FIFRF	Franklin India Floating Rate Fund
FISF	Franklin India Savings Fund (Erstwhile Franklin India Money Market Fund)
FICDF	Franklin India Corporate Debt Fund
FILF	Franklin India Liquid Fund
FIGSF	Franklin India Government Securities Fund
FIBPDF	Franklin India Banking and PSU Debt Fund
FIONF	Franklin India Overnight Fund
FIESF	Franklin India Equity Savings Fund
FIPEP	Franklin India Pension Plan
FIDHF	Franklin India Debt Hybrid Fund
FIEHF	Franklin India Equity Hybrid Fund
FBIF	Franklin Build India Fund
FIBCF	Franklin India Bluechip Fund
FIEAF	Franklin India Equity Advantage Fund
FIFCF	Franklin India Flexi Cap Fund (erstwhile Franklin India Equity Fund)
FIFEF	Franklin India Focused Equity Fund
FIOF	Franklin India Opportunities Fund
FIPF	Franklin India Prima Fund
FISCF	Franklin India Smaller Companies Fund
FITF	Franklin India Technology Fund
TIEIF	Templeton India Equity Income Fund
TIVF	Templeton India Value Fund
FIBAF	Franklin India Balanced Advantage Fund
FIT	Franklin India Taxshield
FIDAAF	Franklin India Dynamic Asset Allocation Fund of Funds
FIMAS	Franklin India Multi - Asset Solution Fund of Funds
FAEF	Franklin Asian Equity Fund
FIF-FUSOF	Franklin India Feeder - Franklin U.S. Opportunities Fund
FIF-TEOF	Franklin India Feeder - Templeton European Opportunities Fund
FIIF	Franklin India NSE Nifty 50 Index Fund (Erstwhile Franklin India Index Fund-NSE Nifty Plan)
FIMCF	Franklin India Multi Cap Fund
FIUSDF	Franklin India Ultra Short Duration Fund
FIMLDF	Franklin India Medium to Long Duration Fund