

# SCHEME INFORMATION DOCUMENT

## Franklin India Cash Management Account An Open – end Liquid Fund



### CONTINUOUS OFFER

Offer for units on an ongoing basis at NAV based prices

Fund Name	Product Labeling		
	Nature of scheme & indicative time horizon	Brief about the investment objective & kind of product	Riskometer
Franklin India Cash Management Account (FICMA)	Regular income for short term	A liquid fund that invests in short term and money market instruments	<p>Investors understand that their principal will be at Low risk</p>

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

Mutual Fund	:	Franklin Templeton Mutual Fund
Asset Management Company	:	Franklin Templeton Asset Management (India) Pvt. Ltd.
Trustee Company	:	Franklin Templeton Trustee Services Pvt. Ltd.
Sponsor	:	Templeton International, Inc. (USA)
Address	:	Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013
Website	:	www.franklintempletonindia.com

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with the Securities and Exchange Board of India (SEBI), along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document (SID) sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Please retain this SID for future reference. Before investing, investors should also ascertain about any further changes to this SID after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

This SID shall remain effective until a 'material change' (other than a change in fundamental attributes and within the purview of the SID) occurs and thereafter changes shall be filed with SEBI and communicated to the investors or publicly notified by advertisements in the newspapers, subject to the applicable Regulations.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Franklin Templeton Mutual Fund, Tax and Legal issues and general information available on our website [www.franklintempletonindia.com](http://www.franklintempletonindia.com).

The SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Franklin Templeton Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated June 27, 2015.

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## 01. HIGHLIGHTS / SUMMARY OF THE SCHEME

<b>Name of the Scheme</b>	<b>Franklin India Cash Management Account (FICMA)</b>
<b>Nature of the Scheme</b>	An Open-end Liquid Fund
<b>Investment Objective</b>	The primary investment objective of the Scheme is to provide income and liquidity consistent with the prudent risk from a portfolio comprising of money market and debt instruments.
<b>Plans &amp; Options</b>	<ul style="list-style-type: none"> <li>• Growth Plan</li> <li>• Dividend Plan (with reinvestment only)</li> <li>• Direct – Growth Plan</li> <li>• Direct – Dividend Plan (with reinvestment only)</li> </ul> <p>All the plans have a common portfolio. The face value of the Units is Rs.10 each.</p> <p>The investors must clearly indicate the plan/option (Growth, Direct – Growth, Dividend or Direct - Dividend) 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 <b>Default Plan</b> which shall be <b>Direct Plan</b> (for investments not routed through a AMFI registered mutual fund distributor) and <b>Default Option</b>, which is <b>Dividend Reinvestment</b>.</p> <p>Please refer to page <b>Error! Bookmark not defined.</b> for details on Default Plan/Option</p> <p>The Trustee / AMC reserve the right to alter / vary the default plan / option, after giving notice.</p>
<b>Minimum Amount</b>	<b>Subscription / Redemption:</b> Rs.1,000/- and any amount in multiple of Re.1/- thereafter.
<b>Pricing for on going subscription</b>	Ongoing subscriptions / purchases will be at Applicable NAV
<b>Redemption Price</b>	Redemptions / repurchases will be done at the Applicable NAV, subject to applicable load
<b>Load Structure*</b>	Entry / Exit Load – Nil
<b>Liquidity</b>	The Scheme is open for repurchase/redemption on all Business Days. The redemption proceeds will be despatched to the unitholders within the regulatory time limit of 10 business days of the receipt of the valid redemption request at the Official Points of Acceptance of Transactions (OPAT) of the Mutual Fund.
<b>Benchmark</b>	Crisil Liquid Fund Index
<b>Transparency / Disclosure</b>	<ul style="list-style-type: none"> <li>• The NAV will be calculated for every Business Day and published in at least 2 newspapers having circulation all over India Being a liquid fund, the NAV will be calculated for every calendar day.</li> <li>• NAV will be calculated up to four decimal places using standard rounding criteria.</li> <li>• The Fund would publish the half-yearly and annual results as per the SEBI Regulations.</li> <li>• Full Portfolio disclosure every half-year as per the SEBI Regulations.</li> <li>• The Mutual Fund shall disclose the scheme portfolios as on the last day of the month on its website on or before the tenth day of the succeeding month.</li> </ul>

\*The Trustee / AMC reserve the right to modify / change the load structure on a prospective basis.

## 02. INTRODUCTION

### A. RISK FACTORS

#### STANDARD RISK FACTORS

- 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.
- Franklin India Cash Management Account is only the name of the scheme and does 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 lac made by it towards setting up the Fund.
- Investors in the Scheme are not being offered any guaranteed / assured returns.
- There is no guarantee or assurance on the frequency or quantum of dividends (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 dividends in Dividend Plan.

#### SCHEME SPECIFIC RISK FACTORS

1. The performance of the scheme may be affected by the corporate performance, macro-economic factors, changes in Government policies, general levels of interest rates and risk associated with trading volumes, liquidity and settlement systems in the securities markets.
2. Low trading volumes, settlement periods and transfer procedures may restrict the liquidity of the scheme's investments. Transacting may become difficult due to extreme volatility in the market resulting in constriction in volumes. Additionally, changes in the SEBI/ RBI regulations/Guidelines may have an adverse impact on the liquidity of the scheme. Different segments of the Indian financial markets have different settlement periods, and such period may be extended significantly by unforeseen circumstances. The length of time for settlement may affect the Scheme in the event the Scheme has to meet an inordinately large number of redemption requests. In addition, the Trustee at its sole discretion reserves the right to limit or withdraw sale and/or repurchase/redemption and/or switching of the units in the scheme (including any one of the Plans of the scheme) temporarily or indefinitely under certain circumstances. For details refer the Section '**Right to limit redemptions**'. The scheme will retain certain investments in cash or cash equivalent for the day to day liquidity requirements.
3. Interest rate risk: This risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of debt instruments. Consequently, the Net Asset Value of the scheme may be subject to fluctuation. Changes in the interest rates may affect the Scheme's Net Asset Value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of long term securities generally fluctuate more in response to interest rate changes than do short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby possible movements in the NAV. This may expose the schemes to possible capital erosion
4. Credit risk or default risk: This refers to the risk that an issuer of a fixed income security may default (i.e. will be unable to make timely principal and interest payments on the security). Default risk / credit risk arises due to an issuer's inability to meet obligations on the principal repayment and interest payments. Because of this risk corporate debentures are sold at a yield above those offered on Government Securities, which are sovereign obligations and free of credit risk. Normally the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.
5. Market risk: This risk arises due to price volatility due to such factors as interest sensitivity, market perception or the credit worthiness of the issuer and general market liquidity, change in interest rate expectations and liquidity flows. This may expose the schemes to possible capital erosion.
6. Reinvestment risk: This risk refers to the interest rate levels at which cash flows received for the securities in the Scheme is reinvested. Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate. The additional risk from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.
7. Liquidity or Marketability Risk: This refers to the ease with which a security can be sold at or near to

its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.

8. Certain fixed income securities give an issuer the right to call its securities, before their maturity date, in periods of declining interest rates. The possibility of such pre-payment risk may force the fund to re-invest the proceeds of such investments in securities offering lower yields, thereby reducing the fund's interest income.
9. The scheme may invest in non-publicly offered debt securities. This may expose the scheme to liquidity risks.
10. Different types of securities in which the scheme would invest as given in the Scheme Information Document carry different levels and types of risks. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated.
11. Different types of Securitised Debts in which the scheme would invest carry different levels and types of risks. Accordingly the scheme's risk may increase or decrease depending upon its investments in Securitised Debts. e.g. AAA securitised bonds will have low Credit Risk than a AA securitised bond. Credit Risk on Securitised Bonds may also depend upon the Originator, if the Bonds are issued with Recourse to Originator. A Bond with Recourse will have a lower Credit Risk than a Bond without Recourse. Underlying Assets in Securitised Debt may be the Receivables from Auto Finance, Credit Cards, Home Loans or any such receipts. Credit risk relating to these types of receivables depends upon various factors including macro-economic factors of these industries and economies. To be more specific, factors like nature and adequacy of property mortgaged against these borrowings, loan agreement, mortgage deed in case of Home Loan, adequacy of documentation in case of Auto Finance and Home Loan, capacity of borrower to meet its obligation on borrowings in case of Credit Cards and intentions of the borrower influence the risks relating to the assets (borrowings) underlying the Securitised Debts. Holders of Securitised Assets may have Low Credit Risk with Diversified Retail Base on Underlying Assets, especially when Securitised Assets are created by High Credit Rated Tranches. Risk profiles of Planned Amortisation Class Tranches (*PAC*), Principal Only Class Tranches (*PO*) and Interest Only Class Tranches (*IO*) will also differ, depending upon the interest rate movement and Speed of Pre-payments. A change in market interest rates/prepayments may not change the absolute amount of receivables for the investors, but affects the reinvestment of the periodic cash flows that the investor receives in the securitised paper.
12. Presently, secondary market for securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.
13. Securitised transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no 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 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 Seller may repossess and sell the underlying Asset. However many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize 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.
14. Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the scheme.
15. Derivatives are high risk, high return instruments as they may be 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. 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.
16. Interest rate swaps and FRA require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that the derivative adds to the portfolio and the ability to forecast failure of another party (usually referred to as the "counter-party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives, the credit risk where the danger is that of a counter-party failing to honor its commitment, liquidity risk where the danger is that the derivative cannot be sold at prices that reflect the underlying assets, rates and indices, and price risk where the market price may move in adverse

fashion.

17. Engaging in securities lending is subject to risks related to fluctuations in collateral value and settlement/liquidity and counter party risks. The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure to comply can result in the possible loss of rights in 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 Mutual Fund may not be able to sell such lent securities and this can lead to temporary illiquidity.
18. Purchasing a security entails the risk of the security price going down. Short selling of securities (i.e. sale of securities without owning them) entails the risk of the security price going up there by decreasing the profitability of the short position. Short selling is subject to risks related to fluctuations in market price, and settlement/liquidity risks. If required by the Regulations, short selling may entail margin money to be deposited with the clearing house and daily mark to market of the prices and margins. This may impact fund pricing and may induce liquidity risks if the fund is not able to provide adequate margins to the clearing house. Failure to meet margin requirements may result in penalties being imposed by the exchanges and clearing house.

#### **Risk Mitigation Factors:**

- Interest Rate Risk: The Fund seeks to mitigate this risk by keeping the maturity of the schemes in line with the interest rate expectations. In case of liquid schemes, the maturity of such scheme is low as these schemes can only invest in securities with up to 91 days maturity.
- Credit risk or default risk: The Fund would predominantly invest in high investment grade fixed income securities rated by SEBI registered credit rating agencies. Historical default rates for investment grade securities (BBB and above) have been low.
- Reinvestment Risk: Reinvestment risks will be limited to the extent of coupons received on debt instruments, which will be a very small portion of the portfolio value.
- The schemes may take positions in interest rate derivatives to hedge market/interest rate risks.
- Liquidity or Marketability Risk: The fund will endeavour to minimise liquidity risk by investing in securities having a liquid market.

#### **B. REQUIREMENT OF MINIMUM NUMBER OF INVESTORS**

The Scheme/Plan shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s). However, if such limit is breached during the NFO of the Scheme, the Fund will endeavour to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme / Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme / Plan(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25% limit. Failure on the part of the said investor to redeem his exposure over the 25% limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

#### **C. 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.
- 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 schemes, because the timing of such repurchase may impact the ability of other Unit holders to repurchase their units.
- Prospective investors should review / study this SID 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. 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.

#### D. DEFINITIONS

For the purpose of this Scheme Information Document, unless the context otherwise requires, the following terms shall have the following meanings:

<b>Applicable NAV</b>	“Applicable NAV” is the Net Asset Value per unit applicable for the transaction (subscription / redemption / switch) based on the day and time on which the application is accepted at any ISC / Collection Centre, as evidenced by the electronic date / time stamp affixed at the ISC or Collection Centre.
<b>Business Day</b>	A day other than: (i) Sunday; (ii) a day on which the banks in Mumbai and/or RBI are closed for business / clearing; (iii) a day on which the money markets are closed/not accessible; (iv) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may specify from time to time; (v) a day on which sale and repurchase of units is suspended by the AMC; (vi) a day on which register of unitholders is closed; (vii) a day which is a holiday/non-working day at an ISC or a Collection Centre. However, it will be non business day for that location only.  Saturday will be considered as a Business Day for the scheme. The AMC reserves the right to declare any day as a Business Day or otherwise at any or all ISCs or Collection Centres.
<b>CDSC</b>	Contingent Deferred Sales Charge
<b>Entry / Sales Load</b>	Load on subscriptions / purchases
<b>Exit / Redemption Load</b>	Load on redemption / repurchase other than CDSC
<b>Franklin Templeton Investments/ Franklin Templeton</b>	Franklin Templeton Mutual Fund, Franklin Resources Inc. and its subsidiary and associate entities including their employees, directors and key managerial persons.
<b>ISC</b>	Investor Service Centre of the Asset Management Company

<b>Collection Centres</b>	The location (other than ISC) that is declared as an official point of acceptance for all transactions but where no Investor or Distributor services are offered. These locations would only accept and acknowledge transactions as per SEBI guidelines.
<b>Money Market Instruments</b>	Commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, (repos / reverse repos), CBLO and any other like instruments as specified by the Reserve Bank of India from time to time including mibor linked securities, call products having unexpired maturity up to one year
<b>NAV</b>	Net Asset Value of the Units of Franklin India Cash Management Account
<b>SAI</b>	Statement of Additional Information of Franklin Templeton Mutual Fund
<b>Scheme Information Document</b>	The document issued by Franklin Templeton Mutual Fund offering units of Franklin India Cash Management Account.
<b>Repo / Reverse Repo</b>	Sale/Purchase of Government Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.
<b>Scheme</b>	Franklin India Cash Management Account (FICMA).
<b>Unit</b>	The interest of an investor, which consists of, one undivided shares in the Net Assets of Franklin India Cash Management Account.
<b>Unitholder</b>	A person holding Units in Franklin India Cash Management Account.

Words and expression used but not defined in this Scheme Information Document shall have the same meaning respectively assigned to them under the Statement of Additional Information.

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

For all purposes of this SID, except as otherwise expressly provided or unless the context otherwise requires, all references to the scheme name(s)/abbreviation(s) shall refer to the applicable new scheme name(s)/abbreviation(s).

## **E. DUE DILIGENCE CERTIFICATE**

It is confirmed that:

- i. the Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- ii. the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.
- iii. the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

Sd/-  
Shilpa Shetty  
Compliance Officer

Date: June 27, 2015  
Place: Mumbai



### 03. INFORMATION ABOUT THE SCHEME

#### A. NAME & TYPE OF THE SCHEME

**Franklin India Cash Management Account**, an open-end liquid fund.

The Scheme was originally launched as 'Templeton India Liquid Plus' (TILP) and was renamed as 'Templeton India Cash Management Account' (TICMA) effective February 17, 2009 pursuant to SEBI Circular ref. SEBI/IMD/CIR No.13/150975/09 dated January 19, 2009 and as Franklin India Cash Management Account effective June 30, 2014.

#### B. INVESTMENT OBJECTIVES & POLICIES

The primary investment objective of the Scheme is to provide income and liquidity consistent with the prudent risk from a portfolio comprising of money market and debt instruments.

The investment policies of the scheme shall be as per SEBI (Mutual Funds) Regulations, 1996, and within the following guidelines in conformity with Investment Management Agreement and Trust Deed.

#### C. ASSET ALLOCATION PATTERN

Under normal market circumstances, the investment range would be as follows:

Instruments	Risk Profile	As % of Net Assets (Min. – Max.)
Money Market Instruments & Cash & Deposits (including-money at Call, mibor, linked instruments and Fixed Deposits)	Low to Medium	65% - 100%
Debt including Corporate Debt, PSU Bonds, Gilts and Securitised debt.	Low to Medium	0% - 35%

It is the intention of the Fund that the investments in securitised debts will not, normally, exceed 35% of the corpus of the scheme.

The scheme may enter into derivatives in line with the guidelines prescribed by SEBI from time to time. The scheme may take exposure in derivatives up to a maximum of 50% of its AUM. The exposure limit per scrip/instrument shall be to the extent permitted by the SEBI Regulation for the time being in force. These limits will be reviewed by the AMC from time to time.

It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. The asset allocation pattern described above may alter from time to time on a short-term basis on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed.

It is clarified that this scheme is not a money market mutual fund scheme.

NOTE: The investment under Direct Plans shall have the same portfolio as that of the plan/option under which it is introduced, and hence the same investment objectives and investment pattern as that of the existing respective Scheme/Scheme Portfolio.

#### D. WHERE WILL THE SCHEME INVEST

Subject to the SEBI Regulations, the Scheme may invest in various types of instruments including, but not limited to, any of the following:

- Securities issued, guaranteed or supported by the Central Government or any state government (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills)
- Securities issued by any domestic government agencies, quasi-government or statutory bodies, Public Sector Undertakings, which may or may not be guaranteed or supported by the Central Government or any state government
- Domestic non-convertible securities as well as non-convertible portion of convertible securities, such as debentures, coupon bearing bonds, zero coupon bonds, deep discount bonds, Mibor-linked or

other floating rate instruments, premium notes and other debt securities or obligations of public sector undertakings, banks, financial institutions, corporations, companies and other bodies corporate as may be permitted by SEBI / RBI from time to time

- (d) Domestic securitised debt, pass through obligations, various types of securitisation issuances such as Asset Backed Securitisation, Mortgage Backed Securitisation and so on as may be permitted by SEBI from time to time.
- (e) Domestic Commercial Paper (CP), Certificate of Deposits (CD), Bills Rediscounting, CBLO, Reverse Repo, and other Money Market Instruments as may be permitted by SEBI / RBI from time to time.
- (f) Deposits with domestic banks and other bodies corporate as may be permitted by SEBI from time to time
- (g) Any other domestic debt and money market instruments that may be available from time to time.

The securities mentioned above could be listed, unlisted, publicly offered, privately placed, secured, unsecured, rated or unrated and of varying maturity. The securities may be acquired through public offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals. The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.

## OVERVIEW OF DEBT MARKET

The Indian debt markets are one of the largest markets in Asia. Government and Public Sector enterprises are predominant borrowers in the market. While interest rates were regulated till a few years back, there has been a rapid deregulation and currently both the lending and deposit rates are market determined.

The bond markets are developing fast with the rapid introduction of new instruments including derivatives. Foreign Institutional Investors are also allowed to invest in Indian debt markets now. The average trading volume in the market ranges between Rs.30,000 crores to Rs.50,000 crores, of which about 90% comprises of the government securities.

The various debt instruments currently available for investments are:

Instruments	Current Yields*	Liquidity
Central/State Government securities	7.50% to 8.20%	Very high
PSU Bonds/Corporate debentures	8.25% to 10.50%	Medium – High
Commercial Papers/Certificate of deposits	7.30% to 11.00%	High
Call/Notice Money	6.25% to 8.50%	Very high
Repo / CBLO	6.25% to 8.50%	Very high

\*Yields as of June 2015.

The actual yields will, however, vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time.

## INVESTMENTS IN DERIVATIVE INSTRUMENTS

### Brief note on investment in derivative instruments

As part of the Fund Management process, the Trustee may permit the use of derivative instruments such as 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 schemes.

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 derivatives for hedging/portfolio balancing purposes and in line with the guidelines prescribed by SEBI from time to time. The schemes may take exposure in derivatives up to a maximum of 50% of its AUM. In terms of prevailing SEBI guidelines, the cumulative gross exposure through debt and derivative positions should not exceed 100% 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. This limit will be reviewed by the AMC from time to 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.

**Interest Rate Swaps (IRS):**

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 notional 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.

Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.

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 a Rs.20 crores, 3 month asset which is being funded through call. Entity B, on the other hand, has deployed in overnight call money market a Rs.20 crores, 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.

As is clear from the above examples, engaging in derivatives has the potential to help the schemes 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.

## **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, 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 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. Further a maximum of 50% of net assets will be deployed in securities lending and the maximum single party exposure will be restricted to 25% of net assets outstanding at any point of time.

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.

## **E. INVESTMENT STRATEGY**

Invests in short term debt and money market instruments, with high liquidity and low credit risk as its main objectives.

## F. FUNDAMENTAL ATTRIBUTES

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

- **Type of scheme** – Open-end liquid fund.
- **Investment objective** – The Fund seeks to provide income and liquidity consistent with the prudent risk from a portfolio comprising of money market and debt instruments.
- **Investment pattern, minimum and maximum asset allocation.** - Please refer to the section “Asset Allocation Pattern”. The fund retains the option to alter the asset allocation on a short-term basis in the interest of unitholders on defensive considerations.
- **Liquidity provisions such as repurchase or redemption** – Please refer to the section ‘Units and Offer’.
- **Aggregate fees and expenses charged to the scheme** - Please refer to the section ‘Fees and Expenses of the Scheme’.
- **Any Safety Net of Guarantee provided** – None.

In accordance with Regulation 18(15A), the Trustee shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless, -

- a written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nation-wide circulation as well as a newspaper published in the language of the region where the head office of the mutual fund is situated; and
- the unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

## G. BENCHMARK

The Scheme has identified **Crisil Liquid Fund Index** as the benchmark.

The Scheme invests in short term and money market securities and hence Crisil Liquid Fund Index is considered as the ideal benchmark for the Scheme. The AMC / Trustee reserve the right to change / modify the benchmark by issuing an addendum.

## H. WHO MANAGES THE SCHEME

The Fund Managers of the Scheme are Mr. Pallab Roy and Mr. Umesh Sharma. Their details are as follows:

Name	Qualifications	Functions & Experience	Schemes Managed
<b>Pallab Roy</b> Age: 40 years Total Experience: 14 Years	MBA (Fin.), M.Com., DBF	<b>Assistant Vice President and Portfolio Manager - Fixed Income</b> (based at Mumbai). <i>Prior assignments:</i> Franklin Templeton Asset Management (India) Pvt. Ltd. (June 2001 – till date). Responsible for Liquidity Management & Portfolio MIS – Fixed Income funds.	<ul style="list-style-type: none"> <li>• Franklin India Cash Management Account</li> <li>• Franklin India Treasury Management Account</li> <li>• Franklin India Savings Plus Fund</li> <li>• Franklin India Ultra Short Bond Fund</li> <li>• Franklin India Life Stage Fund of Funds (Debt Portion)</li> <li>• Franklin India Fixed Tenure Fund - Series (Debt Portion)</li> </ul>
<b>Umesh Sharma</b> Age: 38 years Total Experience: 15 years	B.Com., C.A., C.S., C.F.A.	<b>Vice President &amp; Portfolio Manager</b> - Fixed Income (based at Mumbai). <i>Prior assignments:</i> <ul style="list-style-type: none"> <li>• Portfolio Manager - Fixed Income, Religare Mutual Fund (2008-2010), responsible for managing fixed income bond portfolios</li> <li>• Portfolio Manager- Fixed Income, Lotus India Mutual</li> </ul>	<ul style="list-style-type: none"> <li>• Franklin Government Securities Fund</li> <li>• Franklin India Dynamic Accrual Fund</li> <li>• Franklin India Banking &amp; PSU Debt Fund</li> <li>• Franklin India Cash Management Account</li> <li>• Franklin India Monthly Income</li> </ul>

Name	Qualifications	Functions & Experience	Schemes Managed
		<p>Fund (2006-2008), responsible for managing fixed income bond portfolios.</p> <ul style="list-style-type: none"> <li>• Chief Manager, ICICI Bank (2005-2006), undertook analysing of investment opportunities in international USD bonds.</li> <li>• Manager – Fixed Income, JM Financial Mutual Fund (2003-2005), undertook macro research in order to gauge interest rate trends &amp; credit research.</li> <li>• Primary Dealer, UTI Mutual Fund (2000-2003), involved in analyzing and recommending investments in debt and equity.</li> </ul>	<p>Plan (Debt portion)</p> <ul style="list-style-type: none"> <li>• Franklin India Balanced Fund (Debt Portion)</li> <li>• Franklin India Pension Plan (Debt Portion)</li> <li>• Franklin India Fixed Tenure Fund - Series XVII (Debt Portion)</li> </ul>

## I. INVESTMENT RESTRICTIONS

**In pursuance of the Regulations, the following restrictions are currently applicable to the scheme:**

1. Investment in securities from the scheme's corpus would be only in transferable securities in accordance with Regulation 43 of Chapter VI of SEBI [Mutual Funds] Regulations, 1996.
2. The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities; provided that the Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI; provided further that the Scheme may enter into derivatives transactions in a recognised stock exchange, subject to the framework specified by SEBI; provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.
3. The Mutual Fund shall, get the securities purchased or transferred in the name of the mutual fund on account of the concerned scheme, wherever investments are intended to be of long term nature.
4. No investment shall be made in any Fund of Funds scheme.
5. The mutual fund shall not advance any loans for any purpose.
6. The Scheme may invest in any other scheme without charging any fees, provided that aggregate interscheme investment made by all schemes under the management of Franklin Templeton Asset Management (India) Private Limited or in schemes under the management of any other AMC shall not exceed 5% of the net asset value of the mutual fund.
7. The Scheme shall not invest more than 15% of its NAV in debt instruments issued by a single issuer, which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the SEBI Act, 1992. Such investment limit may be extended to 20% of the NAV with prior approval of the Trustees and Board of the AMC, provided that such limit shall not be applicable for investment in government securities. Further, investment within such limit can be made in mortgage backed securitised debt which are rated not below investment grade by a credit rating agency registered with SEBI.
8. The scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investment shall be made with the prior approval of the Trustee and the Board of the AMC.
9. No mutual fund scheme shall invest more than 30% of its net assets in money market instruments of an issuer; provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralised borrowing and lending obligations.
10. The exposure in a particular sector (excluding investments in Bank CDs, CBLO, G-Secs, T-Bills, Short term deposits of Scheduled Commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) under the portfolio will not exceed 30% of the net assets on account of purchase.  
An additional exposure to financial services sector (over and above the limit of 30%) not exceeding 10% of the net assets of the scheme on account of purchase shall be allowed by way of increase in

exposure to Housing Finance Companies (HFCs) only.

Provided that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 30% of the net assets of the scheme on account of purchase.

The above restriction will not be applicable to the equity portion of the Scheme's portfolio (where applicable).

11. Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments as specified under Clause 1 and 1A of Seventh Schedule to SEBI Regulations.
12. Transfers of investments from one Franklin Templeton Mutual Fund scheme to another will be done as follows:
  - such transfers will be done at the prevailing market price for quoted instruments on spot basis.
  - the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
13. 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.
14. Pending deployment of funds in securities in terms of investment objectives of the Scheme, the Mutual Fund can invest the funds of the scheme in short term deposits of scheduled commercial banks in line with SEBI Circular dated April 16, 2007. The Scheme shall abide by the following guidelines for parking of funds in short term deposits:
  - "Short Term" for such parking of funds by mutual funds shall be treated as a period not exceeding 91 days.
  - Such short term deposits shall be held in the name of the scheme.
  - The scheme shall not park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, such limit may be raised to 20% with prior approval of the Trustees.
  - Parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
  - The scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
  - The Scheme shall not park funds in short-term deposit of a bank, which has invested in the Scheme.
  - Asset Management Company (AMC) shall not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks in case of liquid and debt oriented schemes.

The aforesaid limits are not applicable to term deposits placed as margins for trading in cash and derivatives market.

15. As the Scheme has been categorised as 'Liquid Scheme', the following additional investment restrictions (as applicable) would be adhered to:
  - The scheme shall make investment in /purchase debt and money market securities with maturity of up to 91 days only. In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 91 days.
  - Inter-scheme transfers of securities shall be permitted in Liquid Schemes for debt and money market securities with maturity of up to 91 days only.

(Explanation: (a) In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security. (b) In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.)

16. The scheme may consider investment in other financial market investments as per guidelines issued by the Central Government/SEBI/RBI from time to time.

The AMC/Trustee may alter these investment restrictions from time to time to the extent SEBI regulations/applicable rules change/permit so as to achieve the investment objective of the scheme. Such alterations will be made in conformity with SEBI regulations.

The investment restrictions specified as a percentage of net assets will be computed at the time of making the investment and it is clarified that changes need not be effected, merely by reason of appreciation or depreciation in value or by reason of factors beyond the control of the scheme (such as receipt of any

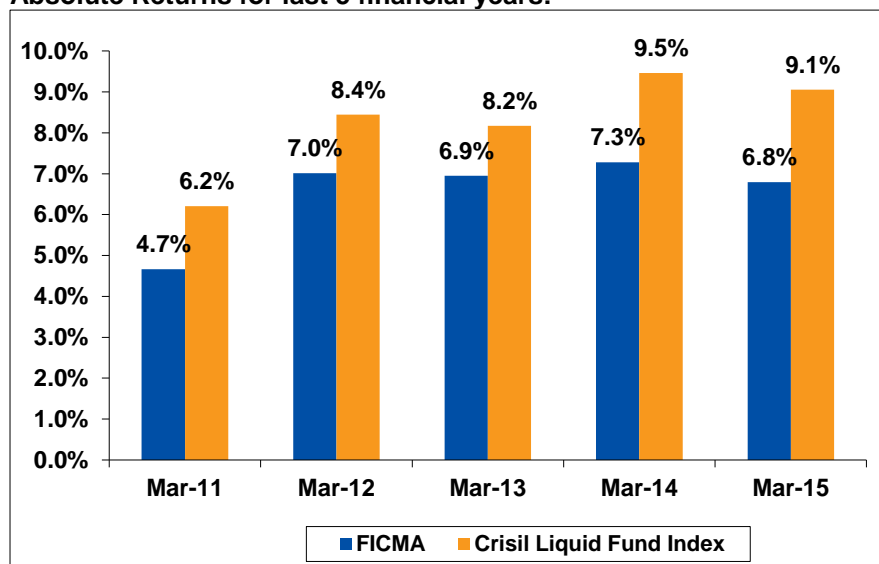
corporate or capital benefits or amalgamations). In case the limits are exceeded due to reasons beyond its control, the AMC shall adopt necessary measures of prudence to reset the situation having regard to the interest of the investors.

## J. HOW HAS THE SCHEME PERFORMED

Compounded annualised returns	1 Year	3 Years	5 Years	Since Inception
FICMA	6.55%	6.87%	6.64%	5.76%
Crisil Liquid Fund Index	8.81%	8.83%	8.42%	N.A

Returns based on Growth Plan NAV of May 29, 2015. Inception date: April 23, 2001.

### Absolute Returns for last 5 financial years:



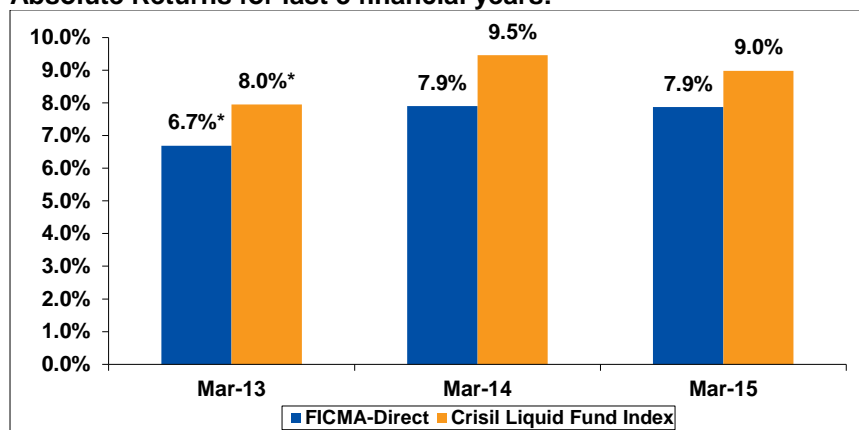
Past performance may or may not be sustained in future.

### FICMA – Direct

Compounded annualised returns	1 Year	3 Years	5 Years	Since Inception
FICMA - Direct	7.69%	N.A	N.A	7.74%
Crisil Liquid Fund Index	8.81%	N.A	N.A	9.06%

Returns based on Growth Plan NAV of May 29, 2015. Inception date: December 31, 2012.

### Absolute Returns for last 3 financial years:



Past performance may or may not be sustained in future.

\*For schemes/plans launched during the year the returns are from inception date.



## PORTFOLIO TURNOVER

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. The scheme is an open-end scheme. 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.

## INVESTMENT BY AMC IN THE SCHEME

Franklin Templeton Asset Management (India) Private Limited, the asset management company may invest in the Scheme. However, as per SEBI (Mutual Funds) Regulations, 1996, Franklin Templeton Asset Management (India) Private Limited will not charge any Investment Management Fee for its investment in the Scheme. In addition, the funds managed by the sponsors, Franklin Templeton Group may invest in the Scheme.

## 04. UNITS AND OFFER

### PLAN AND OPTIONS

The scheme offers four Plans – **Growth Plan, Direct – Growth Plan, Dividend Plan** (with Reinvestment option only) **and Direct – Dividend Plan** (with Reinvestment option only).

#### **Growth Plan / Direct – Growth Plan**

Under the Growth Plan / Direct – Growth Plan, the returns to investors will be available in the form of capital appreciation. There will be no dividend declaration under this option. Instead the growth in NAV will reflect the appreciation of the value of investment.

#### **Dividend Plan / Direct – Dividend Plan**

Under the Dividend Plan / Direct – Dividend Plan, it is proposed to distribute the returns to the investors in the form of dividends out of distributable surplus. The AMC/Trustee may, at their discretion, approve the distribution of dividends out of distributable surplus to unit holders in the Dividend Plan / Direct- Dividend Plan whose names appear in the Register of Unit holders on the record date.

The dividend due and payable to the unit holder will be compulsorily reinvested back into the Scheme at the first NAV prevailing after the dividend is distributed. The dividend so reinvested shall be construed as payment of dividends to the unit holder and construed as receipt of the same amount from each unit holder for reinvestment in units.

On reinvestment of dividends, the number of units to the credit of unit holder will increase to the extent of the dividend reinvested divided by the NAV applicable on the day of reinvestment, as explained above.

#### **Direct investments**

All applications directly received by Franklin Templeton Asset Management (India) Pvt. Ltd., the AMC, at any Official Point of Acceptance of Transactions i.e. applications which are not routed through any AMFI registered mutual fund distributor, shall be treated as investments made under the **Direct route and the Units shall be allotted in Direct.**

In cases where the distributor's ARN or an existing Account Number is mentioned on the application but the investor has clearly and unambiguously specified that the subscription is under 'Direct', the application will be processed as Direct.

In cases where the distributor's ARN or 'Direct' is not mentioned on the application, the same will be processed as Direct (i.e. Direct Plan shall be the default plan).

#### **DEFAULT PLAN/OPTION**

The investors must clearly indicate the plan/option (Growth, Direct – Growth, Dividend or Direct - Dividend) 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** which shall be **Direct Plan** (for investments not routed through a AMFI registered mutual fund distributor) and **Default Option**, which is **Dividend Reinvestment**.

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

#### **DIVIDEND POLICY**

The dividend plan is expected to declare a daily dividend subject to the availability and adequacy of distributable surplus. However, the Trustee is entitled to alter this period or may not declare a dividend at all in the event of inadequacy of distributable income. There is no assurance or guarantee to Unitholders as to the rate of dividend distribution nor will that dividend be paid regularly.

The scheme reserves the right to suspend sale of units for such period of time as it deems necessary before the record date to ensure proper processing.

#### **Record dates for declaration of dividend**

The procedure of declaring dividend and fixing of record dates will be in accordance with SEBI circular dated April 4, 2006. In terms of the circular, the public notice for dividend and record date will not be necessary where the frequency of the dividend is from daily up to monthly.

#### **ONGOING OFFER DETAILS**

The Scheme is perpetually open for subscription & redemption on an ongoing basis with announcements of NAV for every Business Day, except during the period when there is a book closure. The Units can be purchased and redeemed at the Applicable NAV, subject to applicable load.

The Trustee also reserves its right to limit the redemptions as laid down under the section 'Right to Limit Redemptions'.

#### **Who Can Invest**

The scheme units can be purchased by the following entities (subject to the applicable legislation/regulation governing such entities):

1. Adult individuals, either singly or jointly (not exceeding three), resident in India.
2. Parents/Guardian on behalf of minors.
3. Companies/ Domestic Corporate Bodies/ Public Sector Undertakings registered in India.
4. Charitable, Religious or other Trusts authorised to invest in units of mutual funds.
5. Banks, Financial Institutions and Investment Institutions.
6. Non-Resident Indians (NRIs), Persons of Indian Origin residing abroad (PIO) and Overseas Citizen of India (OCI) on full repatriation basis and on non-repatriation basis but not (a) United States Persons 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, as amended from time to time or (b) persons resident of Canada.
7. Foreign institutional investors and their sub accounts on full repatriation basis/ Foreign Portfolio Investors (subject to RBI approval) and such other entities as may be permitted under SEBI (Foreign Portfolio Investors) Regulations, 2014, as amended from time to time.
8. Hindu Undivided Family (HUF).
9. Wakf Boards or Endowments / Societies / Co-operative societies / Association of Persons or Body of individuals (whether incorporated or not), Trusts and clubs authorised to invest in units of mutual funds.
10. Sole Proprietorship, Partnership Firms, Limited Liability Partnerships (LLPs).
11. An association of persons or body of individuals whether incorporated or not.
12. Army/Air Force/Navy/Para-military funds and other eligible institutions.
13. Scientific and/or industrial research organizations.
14. Other Associations, Institutions, Bodies etc. authorized to invest in the units of mutual funds.
15. Such other individuals/institutions/body corporate etc., as may be decided by the AMC from time to time, so long as wherever applicable they are in conformity with SEBI Regulations.
16. Mutual fund Schemes/ Alternative Investment Funds can also invest in the Scheme, subject to SEBI Regulations applicable from time to time.

Units of the schemes of Franklin Templeton Mutual Fund is an eligible investment for charitable and religious trusts under the provisions of Section 11(5)(xii) of the Income Tax Act, 1961, read with Rule 17C of the Income Tax Rules, 1962.

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.

In view of the individual nature of implications, the investors are advised to consult their own advisors to ascertain if they are eligible to invest in the scheme as per the laws applicable to them and whether the scheme is suitable for their risk profile.

#### **Where can you submit the filled up Application Form**

Investors can purchase Units of the Scheme by completing the Application Form and delivering it along with full payment at the Franklin Templeton Branch Offices [Investor Service Centre (ISC)] at Mumbai or may be routed through an AMFI registered Agent/distributor/broker.

The addresses of the ISC are given at the end of this Scheme Information Document.

#### **How to apply**

Investors can subscribe for the Units of the Scheme by completing the Application Form and delivering it at any Investor Service Centre at Mumbai.

#### **SMS based transaction facility**

Investors can transact in schemes of Franklin Templeton Mutual Fund (except Franklin India Pension Plan and Franklin India Government Securities Fund -PF Plan) through SMS.

In order to avail this facility, the Unitholder(s) should submit SMS transaction registration form along with NACH registration form at the nearest Franklin Templeton branch or ISC.

Investors can send a transaction SMS only through the registered mobile number with the predefined keywords only (available on [www.franklintempletonindia.com](http://www.franklintempletonindia.com)). This facility shall be available subject to the terms and conditions as detailed in the SMS transactions registration form.

The Trustee/Asset Management Company of FTMF reserves the right to modify or discontinue any of these facilities at any time in future on a prospective basis.

Please refer to the SAI and the Key Information Memorandum / Application Form for the instructions.

#### **Official Points of Acceptance of Transaction**

As per SEBI Circular SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006, FTMF hereby declare its branch offices [Investor Service Centres (ISC)] at Mumbai as the Official Points of Acceptance of Transactions ("OPAT"). The "cut off time" mentioned in the Scheme Information Document shall be reckoned at these official points. All transaction (purchase/redemption/switch) applications must be demonstrably received by the Mutual Fund at these OPAT.

#### **AVAILABILITY OF FORMS**

Key Information Memorandum / Application Forms and copies of this Scheme Information Document are available from the Investor Service Centres at their respective locations set forth in the Application Form or on the reverse of this Scheme Information Document, in addition to the Head Officer of the Mutual Fund. Application Forms are also available with the approved intermediaries of the Mutual Fund as well as on the website of the mutual fund [www.franklintempletonindia.com](http://www.franklintempletonindia.com)

#### **MANDATORY INFORMATION**

**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.**

**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.**

In terms of SEBI circulars dated April 27, 2007, April 03, 2008 and June 30, 2008 read with SEBI letter dated June 25, 2007, **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 rolling 12 months period or 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. However, a duly verified/attested copy of such document(s) as may be prescribed by the AMC/Trustee from time to time, needs to be submitted as the proof of identification in lieu of PAN Card copy.

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 investing with mutual funds from this date. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy. **All investments without PAN (for all holders, including Guardians and POA holders) are liable to be rejected.**

**All investments in 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.

#### **Minimum Application Amount**

Purchases by a new applicant can be made for a minimum amount of Rs.1,000/- or any amount in multiple of Re.1/- thereafter. Additional purchases of Units by existing unitholders can be made for a minimum of Rs.1,000/- or any amount in multiple of Re.1/- thereafter.

There is no upper limit. The Trustee reserves the right to vary these limits from time to time, in the interest of investors.

#### **ARRANGEMENTS PROPOSED WITH BANKS FOR ACCEPTING APPLICATIONS FOR SUBSCRIPTION AND REDEMPTION**

It is our endeavour to substantially improve upon the existing levels of investor service. With a view to achieve this, in addition to the acceptance of the application at ISC Mumbai, the AMC intends to tie up with banks for acceptance of applications for subscriptions and redemptions through banking channels. In order to provide enhanced convenience and high liquidity to the investor, he/she may be allowed to subscribe the units by giving direct instructions to the banker to transfer the funds from his/her bank account into the bank account of the scheme or to redeem the units by giving direct instructions to the banker to redeem the amount from the scheme and deposit the proceeds into the bank account of the investor. Further, the investor may also be allowed to subscribe or redeem through the facility of giving such instructions through Automated Teller Machines (ATM) of the bank (See the section on Process / Limitations and Restrictions on dealing through ATMs). As a result, the investor may have the facility of subscribing or redeeming the units of FICMA at any time during the day or night through ATMs. This will give the investor faster and more convenient service and will vastly improve upon the existing service standards.

Franklin Templeton Asset Management (India) Private Limited (AMC) may tie up with various banks ("Specified Banks") for making Franklin India Cash Management Account (FICMA) available to their

banking and all other prospective clients subject to the terms and conditions prescribed in the Scheme Information Document and subject to other guidelines and Regulations as may be laid down by Securities and Exchange Board of India (SEBI) from time to time. Following would be the general process for the operations:

1. The scheme would be available for investors approaching the fund either directly through the ISC of the AMC or through the branches of the Specified banks.
2. AMC will open current account through which all subscriptions and redemptions would be routed.
3. The scheme would be open to all the customers of the specified banks and all other prospective customers subject to the terms and conditions prescribed in the offer document and subject to other guidelines and Regulations as may be laid down by SEBI from time to time. An option will be given to the customer of the bank to open a FICMA account.
4. The prospective investor has the option to give an instruction to the bank to transfer a specified sum from his/her current/savings/fixed deposit account to FICMA as subscription. This will be treated as subscription of the investor into FICMA and the units will be allotted accordingly. Similarly, for redemptions, the investor has an option to give instruction to the bank to redeem a specified sum from FICMA.
5. The investor may also give a standing instruction to the bank by way of a letter of instruction to transfer any amount in excess of the specified limit from the current/saving account into FICMA or redeem the amount from FICMA if the amount in the bank account falls below the specified limit on any single day. The shortfall in the bank account of the investor will be replenished by redeeming the requisite amount from FICMA, provided such an amount is available in the investor's FICMA account.

The final process will vary from bank to bank depending on their technological and other operational capabilities.

### **Process / Limitations and Restrictions on dealing through ATMs**

It is proposed to provide extended convenience to the investor to subscribe/ redeem units through the ATMs of the bank. The list of ATMs with the addresses permissible for subscriptions and redemptions would be intimated to the investors by the concerned bank from time to time.

The investor may be able to subscribe by giving instructions to the banker to transfer the funds in his/ her bank account into the account of the scheme through ATMs. Such instructions received for investments would be sent to the concerned bank branch the next business day and would be processed as per Applicable NAV.

The investor may be allowed to redeem through the facility of ATMs. The maximum amount redeemable would be subject to the arrangements made by the AMC with the banks.

### **Sale Price for ongoing purchases**

For on-going subscriptions, sale price is calculated based on the "Applicable NAV". All the applications will be processed at the Applicable NAV based on the date and time of their receipt at the ISC / Collection Centre, as evidenced by the electronic date / time stamp affixed at the ISC or Collection Centre.

### **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, Dividend Transfer Plan etc.;
- (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.

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 cheque based on his assessment of various factors including the service rendered by the distributor.

**CUT OFF TIMING FOR SUBSCRIPTIONS**

Pursuant to SEBI guidelines, the cut off timings and the applicability of Net Asset Value of the scheme is under:

In respect of valid applications received\* up to 2:00 p.m. on a day by the Mutual Fund and funds are available for utilisation on the same day before the cut-off time without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the day of receipt of application shall be applicable.

In respect of valid applications received\* after 2:00 p.m. on a day by the Mutual Fund and funds are available for utilisation on the same day without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the next Business Day shall be applicable.

However, irrespective of the time of receipt\* of application, where the funds are not available for utilisation on the day of the application before the cut-off time (2:00 p.m.) without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the day on which the funds are available for utilisation before the cut-off time (2:00 p.m.) shall be applicable, provided the application is received prior to availability of the funds.

For determining the availability of funds for utilisation, the funds for the entire amount of subscription/purchase (including switch-in) as per the application should be credited to the bank account of the scheme before the cut-off time and the funds are available for utilisation before the cut-off time without availing any credit facility whether intra-day or otherwise, by the respective scheme.

The Trustee/AMC may alter the limits and other conditions in line with the SEBI Regulations.

\*Received at the Official Points of Acceptance of Transactions of Franklin Templeton Mutual Fund.

**Allotment of Units / Refund**

Full allotment will be made to all valid applications received during continuous offer period. Refund of subscription money will be made to applicants without any return, in case applications are invalid or are rejected. An Account Statement containing the number of Units allotted will be issued within 5 business days from the date of allotment.

The allotment of units is subject to realisation of the payment instrument. Units purchased can be redeemed only after realisation of cheques. Units purchased can be redeemed (including switch-out) only after realisation of the payment. The Mutual Fund will reject any request for redemption (including switch-out) of units in respect of which the payment is not realised.

It is clarified that in case of switch, requests for redemption/switch-out from destination scheme for the units switched shall be accepted and/or processed only if the payment in respect of those units is received from the source scheme to destination scheme.

**The Trustee is entitled, in its sole and absolute discretion, to reject any Application.**

## **Fractional Units**

Investors may have Account Statements that show an issuance of fractional Units. Fractional Units will be computed and accounted for up to three decimal places using standard rounding criteria. Fractional Units in no way will affect an investor's ability to redeem Units.

### **Option to receive allotment and hold units in demat form:**

Investors have an option to receive allotment and hold units of the schemes of Franklin Templeton Mutual Fund in demat form. For this purpose, the investors need to furnish the details of their depository account in the Application Form along with a copy of the Client Master Report / List (CMR/CML) or the Transaction Statement (the page reflecting name and holding pattern) for verification of the demat account. The Units allotted in electronic form will be credited to the investor's Beneficiary Account with a Depository Participant (DP) of CDSL or NSDL as per the details furnished by the investor in the Application Form. In case the Unitholder does not wish to get his/her Units converted / allotted in electronic form or the AMC is not able to credit the Units to the beneficiary account(s) of the investor for any reason whatsoever, the AMC shall issue Account statement(s) specifying the Units allotted to the investor. Please note that where the investor has furnished the details of their depository accounts in the Application Form, it will be assumed that the investor has opted for allotment in demat form and the allotment will be made only in demat form as default.

In case of SIP, the units will be allotted based on the applicable NAV as per the terms of the Scheme Information Document of the respective scheme and will be credited to the investor's demat account on weekly basis on realisation of funds. For example, for the subscription amount of the relevant SIP instalment credited to the bank account of Franklin Templeton Mutual Fund during a week (Friday to Thursday), the units allotted will be credited to the investor's demat account on following Monday or the subsequent working day if Monday is a holiday/non-working day for the AMC or the depositories.

However, this facility is not available for investment under Daily Dividend and Weekly Dividend options of the schemes, Systematic Transfer Plan (STP) and Dividend Transfer Plan (DTP).

The existing Unitholders can dematerialise the units held in physical form (represented by Account Statement) at any time by making an application to the Depository Participant by filling up the Conversion Request Form (CRF) and surrendering the Account Statement(s).

## **LISTING**

Being an open-end scheme, the units of the scheme are not listed at any stock exchange. However, subject to the Regulations, the Trustee may decide to list the units of the scheme on any recognised stock exchange.

### **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) at Mumbai. All redemption request forms must contain the investor's Folio / Account Number and be duly signed.

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

The Fund, however, may limit the right to make redemptions. See "Right to Limit Redemptions" below.

### **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.

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.

To further elaborate, the redemption price is calculated by multiplying the “Applicable NAV for Redemption” by (1 – Exit Load). 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%, the redemption price will be calculated as follows:

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

## **CUT OFF TIMING FOR REDEMPTIONS**

Pursuant to SEBI guidelines, the cut off timings and the applicability of Net Asset Value of the scheme is under:

In respect of valid applications received up to 3:00 p.m. by the Mutual Fund, the closing NAV of the day immediately preceding the next business day shall be applicable.

In respect of valid applications received after 3:00 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable.

### **Minimum redemption amount**

Rs.1,000/- or any amount thereafter in multiples of Re.1/-.

The Trustee / AMC reserve the right to vary this limit from time to time, in the interest of investors.

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.

### **Minimum balance to be maintained and Right to close an investor’s account**

The Mutual Fund may close out an investor’s account whenever, due to redemptions, the value of the account falls below the minimum account balance of Rs.1,000/-, and the investor fails to purchase sufficient Units to bring the value of the Account up to the minimum amount or more, after written notice is sent by the Mutual Fund.

### **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 to an amount of Rs.1 crore in a single day. 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 or redemption of units

With the approval of the Boards of Directors of the Trustee and the Asset Management Company, the sale or redemption 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.
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. 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.

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.

The Trustee also reserves the right in its sole discretion to withdraw sale of Units in the Scheme temporarily or indefinitely, if the Trustee views that increasing the Scheme's size further may prove detrimental to the existing/prospective Unitholders of the Scheme.

### Note:

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:

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

Particulars	Treatment
• STP applications made under a Distributor code	• Units will continue to be allotted in the existing plan.
Existing registrations under Dividend Transfer Plan (DTP)	Units will be allotted in the existing Destination Plan/Option as per the DTP registration.

## SPECIAL PRODUCTS AVAILABLE

### Exchanges / Switch

Investors can, subject to any applicable restriction (such as lien/lock-in) exchange / switch investments from one scheme of Franklin Templeton Mutual Fund to another (e.g. Franklin India Bluechip Fund to Templeton India Growth Fund), and from one plan to another of the same scheme (i.e. from Dividend plan to Growth plan) at the applicable NAV (subject to applicable load) provided that

- there is no book closure in either of the schemes/plans.
- the investment sought to be exchanged is not under any lock-in period and are free of any encumbrances.
- 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.

For this purpose, the units of that 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 (subject to applicable load structure).

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.

## ACCOUNTS STATEMENTS

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 e-mail address and/or mobile number registered with the Mutual Fund/AMC.

### A) 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, dividend transfer plan, dividend payout, dividend reinvestment 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 10th 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 10th 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, dividend transfer plan, dividend payout, dividend reinvestment 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 10th 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.

Unitholders in whose folios no transaction has taken place during the last six months prior to the date of generation of account statement, 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 10th day of succeeding month. Such CAS shall reflect the closing balance and value of the Units as at the end of the month.

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/ Dividend Reinvestment transactions:**

- Account Statement for SIP and STP will be despatched once every month along with Dividend reinvestment (daily, weekly, monthly) account statement. All other dividends statements will be dispatched as and when the dividend transaction is processed.
- A soft copy of the Account Statement will be emailed to investors with the valid email id provided the investor has opted for e-delivery after the transaction is processed.
- 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.

#### **Half-yearly Statement:**

- The AMC shall provide the Account Statement to the Unitholders who are not having Valid PAN and have not transacted during the last six months prior to the date of generation of account statements. 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.

For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail. 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.

## **Dividend**

The dividend warrants shall be dispatched or the dividends would be otherwise distributed to the unitholders within 30 days of the date of declaration of the dividend.

For Dividends paid out, investors will receive an advice in case of dividends paid via electronic mode, and a dividend instrument with counterfoil for dividends paid by way of an instrument.

## **Redemption**

The redemption or repurchase proceeds shall be dispatched to the unitholders within 10 working days from the date of redemption or repurchase.

## **Delay in payment of redemption / repurchase proceeds/ dividend**

The AMC shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

## **C. PERIODIC DISCLOSURES**

### **Net Asset Value (NAV)**

This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.

The NAV will be calculated for every Business Day and published in at least 2 newspapers having circulation all over India. This scheme being a liquid fund, the NAV will be calculated for every calendar day.

The Mutual Fund are required to declare the NAV of the Scheme on every Business Day on AMFI's website [www.amfiindia.com](http://www.amfiindia.com) by 9.00 p.m. (current time limit for uploading NAV as per the SEBI guidelines) and also on our website [www.franklintempletonindia.com](http://www.franklintempletonindia.com).

In order to provide the facilities to the investor of investing through banks / ATMs, the business hours will be extended well beyond the normal business hours. The banks normally process all their business transactions (including the above distributed mutual fund units) during the midnight and therefore the information relating to the earlier business day for subscriptions and redemptions would be available late in the night.

As a result of the extended business hours and a unique type of sweep product, the fund may need to calculate the NAV late in the night. In any event, the same will be updated on the AMFI website before the beginning of the next business day at 10.00 am. See the section "NET ASSET VALUE CALCULATION".

The publishing of NAV and sale and redemption prices as outlined above are as per the prevailing SEBI Regulations and are subject to change from time to time.

### **Redemption and Sale Prices**

While determining the prices of the units, the scheme shall ensure that the repurchase price is not lower than 93% of the Net Asset Value and the sale price is not higher than 107% of the Net Asset Value.

Provided further that the difference between the repurchase price and the sale price of the unit shall not exceed 7% calculated on the sale price.

## **HALF YEARLY DISCLOSURES**

**Portfolio / Financial Results:** This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in 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 Scheme shall mail/e-mail (if an e-mail address is provided with the consent of the Unitholder) to all unitholders or publish, by way of an advertisement, in one English daily circulating in the whole of India and in a newspaper published in the language of the region where the head office of the Mutual Fund is situated, the complete scheme portfolio before the expiry of one month of the close of each half year i.e., 31st March and 30th September. These shall also be displayed on the website of the Mutual Fund and that of AMFI.

Additionally, in accordance with SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, the Mutual Fund shall disclose the scheme portfolios as on the last day of the month on its website on or before the tenth day of the succeeding month.

## **ANNUAL REPORT**

As required by the SEBI Regulations, the Fund will mail the scheme-wise 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 e-mail 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 without demur. For the rest of the investors, i.e. whose email addresses are not available with the mutual fund, the AMC shall continue to send physical copies of scheme annual reports or abridged summary.

The AMC shall display the link of the scheme annual reports or abridged summary prominently on the Fund's website and make the physical copies available to the investors at its registered office at all times.

## **Associate Transactions**

Please refer to Statement of Additional Information (SAI)

## **Taxation**

**This information is provided for general information only and is based on the prevailing tax laws, as applicable in case of this Scheme. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.**

The following summary outlines the key tax implications applicable to unit holders based on the relevant provisions under the Income-tax Act, 1961 ('Act') and the amendments made by the Finance Act, 2014 (collectively called 'the relevant provisions').

### **A) Tax implications to unitholders under the Act:**

#### **Category of this Scheme:**

**Please note that FICMA is a 'Liquid Fund' as currently defined under the Act.**

*"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.

#### **Tax on income on units:**

Tax on income on units other than sale / redemption (including Dividend) – Nil.

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

If the units are held 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.

If the units are held as investments, the said income will be taxed as capital gains. In such case, the tax rates applicable will depend on whether the gain on sale of units is classified as a short term capital gain or a long term capital gain. Units of an equity-oriented mutual fund shall be considered as a short-term capital asset where the same are held for a period of 12 months or less immediately preceding their date of transfer for the purpose of computing capital gains. Further, units of a mutual fund (other than an equity oriented fund) shall be considered as a short-term capital asset where the same are held for a period of 36 months or less immediately preceding their date of transfer for the purpose of computing capital gains. Long-term capital asset means an asset which is not a short-term capital asset. In all other cases, they would be treated as short-term capital assets. The rates of capital gains tax are as follows (applicable to all investors including NRI / PIO/ FPI):

<b>Nature of capital gains</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 Note 1).
Long- term capital	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 surcharge and education cess as may be applicable.

#### *Provisions regarding Dividend income and Bonus*

Losses arising from the sale/redemption of units purchased within 3 months prior to the record date (for entitlement of dividends) and sold within 9 months after such date, is disallowed to the extent of income on such units (other than on sale/redemption) is claimed as tax exempt.

If an investor purchases units within 3 months before the record date (for entitlement of bonus) and sells/redeems the units within 9 months after that date, and by virtue of holding the original units, he becomes entitled to bonus units, then the loss arising on transfer of original units shall be ignored for the purpose of computing his income chargeable to tax. In fact, the loss so ignored will be treated as cost of acquisition of such bonus units.

#### **Tax Deduction at Source (TDS) in respect of capital gains:**

<b>Category of investor</b>	<b>Nature of capital gains</b>	<b>Tax rate*</b>
Resident Investor	Short term / Long term	Nil
Foreign Portfolio Investors (FPI)	Short term / Long term	Nil
Non-Resident Indian (NRI) / Person of Indian origin (PIO)/ Other foreign entities	Short term	30% for foreign non-corporates; 40 % for foreign corporate entities
Non-Resident Indian (NRI) / Person of Indian origin (PIO)/ Other foreign entities	Long term	20% (10% in case of unlisted units)

\* plus surcharge and education cess as may be applicable.

The long term capital gains on listed units shall be computed after taking into consideration the indexed cost of acquisition of the units redeemed / repurchased / sold.

All the above non-resident investors may also claim the tax treaty benefits available, if any.

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 20% or any higher rate of TDS, as may be applicable, plus applicable surcharge and education cess.

#### **Dividend Distribution Tax (DDT)**

The Mutual Fund will be required to pay dividend distribution tax ('DDT') as follows on the dividends distributed by the Scheme:

- at **28.84%** (including surcharge and education cess) for income distributed to any individual or a Hindu Undivided family; and
- at **34.608%** (including surcharge and education cess) for income distributed to any other person.

Income distribution tax payable by the distributing company/mutual fund would be at the rates specified above on the net amount of dividend distributed (i.e. the taxes would be grossed up)

#### **B) Securities Transaction Tax (STT)**

As this scheme is not an 'equity oriented fund', no STT is payable on sale (redemption) of this Scheme.

**For further details, please refer to the SAI.**

#### **INVESTOR SERVICES**

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**

Unit 301, III Floor, Campus 4B, RMZ Millenia Business Park, 143 Dr. MGR Road, Kandanchavadi, Chennai 600096

**Tel:** 1800 425 4255 or 6000 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

**Ms. Sheela Kartik** has been appointed as the Investor Relations Officer of the AMC. She can be contacted at the above address.

#### **COMPUTATION OF NAV**

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

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

FICMA being a liquid scheme, the NAV will be normally computed for every calendar day and will be calculated to four decimals using standard rounding criteria.

Valuation of the scheme's assets, calculation of the scheme's NAV and the accounting policies & standards will be subject to such norms and guidelines that SEBI may prescribe from time to time and shall be subject to audit on an annual basis.

#### **05. FEES AND EXPENSES OF THE SCHEME**

The information that is provided under this section seeks to assist the investor in understanding the expense structure of the current Scheme and types of different fees and their percentage the investor is likely to incur on purchasing and selling the units of the Scheme.

##### **ANNUAL SCHEME RECURRING EXPENSES:**

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below.

In accordance with Regulations, the asset management company ("AMC") is entitled to charge the scheme with investment and advisory fees. In addition to such fees, the AMC may charge the scheme such expenses as may be permitted under Regulations from time to time.

The maximum annual recurring expenses that can be charged to the Scheme, excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be within the limits stated in Regulations 52 read with SEBI circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, as follows:

(I) Recurring expenses including the investment management and advisory fee subject to the limits specified in the table below (as % of daily net assets):

First Rs.100 crore	Next Rs.300 crore	Next Rs.300 crore	Over Rs.700 crore
2.25%	2.00%	1.75%	1.50%

Provided that such recurring expenses shall be lesser by at least 0.25% of the daily net assets outstanding in each financial year in respect of schemes investing in bonds.

(II) In addition to the above, the following costs or expenses may be charged to the Scheme, namely-

(a) brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, not exceeding 0.12% in case of cash market transactions and 0.05% in case of derivatives transactions; the securities transaction tax (STT) will continue to be included in the cost of investment over and will not come under the limit of 0.12% mentioned above.

(b) expenses not exceeding 0.30% of daily net assets, if the new inflows from such cities as specified by SEBI from time to time are at least - (i) 30% of gross new inflows in the scheme, or; (ii) 15% of the average assets under management (year to date) of the scheme, whichever is higher.

Provided that if inflows from such cities are less than the higher of (i) or (ii) above, such expenses on daily net assets of the scheme shall be charged on proportionate basis.

Provided further that expenses charged under this clause shall be utilised for sales, marketing and distribution expenses incurred for bringing inflows from such cities.

Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment;

(c) additional expenses not exceeding 0.20% of daily net assets of the scheme towards various permissible expenses.

(III) The AMC may charge service tax on investment and advisory fees to the Scheme in addition to the maximum limit of annual recurring expenses as prescribed in Regulation 52. Further, the below mentioned expenses and charges shall be borne by the Scheme within the maximum limit of annual recurring expenses as prescribed in Regulation 52.

a) Service tax on expenses other than investment and advisory fees; and,

b) brokerage and transaction costs (including service tax) incurred for the purpose of execution of trade in excess of 0.12% in case of cash market transactions and 0.05% in case of derivatives transactions, if any.

Within such total recurring expenses charged to the scheme as above, the investment management and advisory fee (charged as a percentage of daily net assets) would be as decided by the AMC from time to time, provided that the investment management and advisory fee shall not exceed the aggregate of expenses charged under clause (I) and (II)(c) above.

In terms of aforesaid SEBI circular dated September 13, 2012, the AMC shall annually set apart at least 0.02% on daily net assets within the maximum limit of recurring expenses as per Regulation 52 for investor education and awareness initiatives.

The total annual recurring expenses of the Scheme including the investment management and advisory fee (together with additional management fee wherever applicable) shall not exceed the limit stated in Regulation 52 read with aforesaid SEBI circular dated September 13, 2012, as explained above.

Any excess over these specified ceilings would be borne by the AMC.

The investments under 'Direct' shall have a lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid on investments under Direct Plan. The Direct Plan shall also have a separate NAV.

The Trustee/AMC reserves the right to charge higher operating expenses in relation to investing overseas as and when SEBI permits.

It is clarified that in respect of schemes having more than one portfolio, the above restrictions on total expenses will be applied to each portfolio separately.

The AMC has estimated the following recurring expenses for the first Rs.100 crores of Average Daily / Weekly Net Assets:



Particulars	% of Average Daily Net Assets
Recurring expenses permissible under Regulation 52(6)(c)(i): (a) Investment Management and Advisory Fee (b) Expenses - 1. Custodial Fees 2. Registrar & Transfer Agent Fees including cost related to providing accounts statement, dividend/redemption cheques/warrants etc., Listing Fees 3. Marketing & Selling Expenses including distributor /agent Commission, brokerage & transaction Cost pertaining to the distribution of units and statutory advertisements 4. Costs related to investor communications 5. Expenses towards investor education and awareness initiatives (at least 0.02%) 6. Fees and Expenses of Trustees <sup>+</sup> / Audit Fees 7. Costs of fund transfer from location to location 8. Service tax on expenses other than investment and advisory fees 9. Brokerage and transaction costs (including service tax) incurred for the purpose of execution of trade in excess of 0.12%(in case of cash market transactions) /0.05% (in case of derivatives transactions) 10. Other permissible expenses	(a) + (b) - not exceeding 2.25*% of daily net assets
(c) Service tax on investment and advisory fees	At actual
(d) Additional expenses permissible under Regulation 52(6A)(c) towards various permissible expenses	(d) - not exceeding 0.20% of daily net assets
(e) Expenses in case of inflows from cities beyond Top 15 cities charged proportionately under Regulation 52(6A)(b) (refer II(b) above)	not exceeding 0.30% of daily net asset

<sup>+</sup>Trustee Remuneration: Out-of-pocket expenses incurred for attending meetings of the Trustee may be paid separately and may be charged to the fund.

**\*The above estimates have been made in good faith as per the information available to the Investment Manager based on past experience and are subject to change inter-se and types of the expenses charged shall be as per the Regulations.**

For the actual Annual Scheme Recurring expenses currently being charged, the investor should refer to the website of the Mutual Fund.

The tables relating to Annual Scheme Recurring Expenses given above and the Load structure given below have been given to the investor to assist him / her in understanding the various costs and expenses that an investor of the scheme will bear directly or indirectly.

Investment management fees are payable monthly in arrears. The direct expenses incurred by each scheme of Franklin Templeton Mutual Fund shall be chargeable to that scheme. The common expenses incurred on various schemes could be allocated to the schemes based on various parameters such as number of unitholders, the size of the corpus / assets, equally or any other basis in conformity with generally accepted accounting principles.

## LOAD STRUCTURE

Load is an amount which is paid by the investor to subscribe to the units or to redeem the units from the scheme. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please visit Franklin Templeton India's website ([www.franklintempletonindia.com](http://www.franklintempletonindia.com)) or call at 1800 425 4255 or 6000 4255 (Please prefix the city STD code if calling from a mobile phone. Local call rates apply to both the number) or contact your distributor.

Sr. No	Particulars	As % of NAV
1	Sales / Entry load on purchase / subscription	0%
2	Exit Load on redemption / repurchase	0%
3	Load on Switch / Exchange	0%

For investments under the new 'Direct' plan, the Exit load applicable shall be the same as the exit load applicable in the respective Scheme/Scheme Portfolio.

The applicability of exit load in respect of switches between plans and options within the same Scheme will be as follows:

<b>Nature of investment</b>	<b>Exit Load applicability</b>
Existing and new investments made under a Distributor code	Switch to Direct will be permitted subject to applicable exit load, if any
Existing and new investments made without a Distributor code	No load will be charged on switches to Direct.
Investment made under Direct route on or after January 01, 2013	No load will be charged on switches from Direct to other plans and options under the Scheme available for investment under a Distributor code.

For determining whether an investment was made under a Distributor code or not, the Distributor code as per the records of the AMC/Registrar on the date of the switch transaction will be considered.

In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 no entry load will be charged for purchase/additional purchase/switches accepted by the Mutual Fund. Similarly, no entry load will be charged with respect to applications for registrations under the Systematic Investment Plan (SIP)/Systematic Transfer Plan (STP) accepted by the Mutual Fund with effect from August 01, 2009.

The upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder (AMFI registered distributor) directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN Holder.

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

The AMC/Trustee reserves the right to modify the Load/Fee mentioned above at any time in future on a prospective basis, subject to the limits prescribed under the SEBI Regulations.

For the information of the investors, any introduction / change of load in the Scheme may be put up on the website of the Mutual Fund. The addendum detailing the changes may be circulated among the Investor Service Centres / Distributors / Brokers under directions to display it at their respective offices in form of a Notice and attach it to the copies of Scheme Information Documents and Key Information Memorandum (if required) already in stock. The addendum may be published by way of a public notice or advertisement in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated. The addendum may also be sent via e-mail to the unitholders who have registered their e-mail i.d. with the Mutual Fund. The load may also be disclosed in the account statement issued after the introduction of such load.

The investor is requested to check the prevailing load structure of the scheme before investing.

All loads collected on units shall be retained in the Fund and maintained in a separate account and would strictly and fully be utilised by the Investment Manager in providing distribution related services to the Mutual Fund relating to the sale, promotion, advertising and marketing of Units of the Scheme, including payments to brokers / registrars for their services in connection with the distribution of the Units. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC. In terms of SEBI circular ref. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009, effective August 01, 2009, of the exit load charged to the investor, a maximum of 1% of the redemption proceeds shall be maintained in a separate account which can be used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Any balance shall be credited to the scheme immediately.

Effective October 01, 2012, exit load(if any) charged to the unit holders by the Mutual Fund on redemption (including switch-out) of units shall be credited to the respective scheme net of service tax. Service tax on exit load, if any, shall be paid out of the exit load proceeds.

**Load on bonus/dividend re-investment units:** In terms of SEBI circular SEBI/IMD/CIR No.14/120784/08 dated March 18, 2008, no entry and exit load shall be charged on bonus units or units

allotted on reinvestment of dividend.

## **06. RIGHTS OF UNITHOLDERS**

Please refer the SAI for details.

## **07. GENERAL UNITHOLDER INFORMATION**

### **FOLIO / ACCOUNT NUMBER**

Every investor will have a Folio number. Within a Folio, an investor will have an account number for each fund or scheme into which he or she invests. The number of Units issued to an investor or redeemed by an investor will be reflected in his or her Account and a statement to this effect will be issued to the Unitholder.

### **RESPONSE TIMES**

The Fund will endeavor to adhere to the following response times with regard to various investor services from the time of receipt of correct and complete request at Franklin Templeton Asset Management (India) Pvt. Ltd., Chennai.

<b><u>Activity</u></b>	<b><u>From date of receipt</u></b>
Account Statement Mailing/e-mailing	5 working days
Dispatch of redemption proceeds	10 working days
Dispatch of dividend payout	30 days

These response times do not include postal delivery time, acts of God or disruptions beyond the control of the AMC.

### **SCHEME TO BE BINDING ON THE UNITHOLDERS**

The Trustee may, from time to time, add to or otherwise vary or alter all or any of the features, investment plans and terms of this Scheme after obtaining the prior approval of SEBI and the Government of India where necessary and the Unitholders in accordance with the SEBI Regulations, and the same shall be binding on each Unitholder and any person or persons claiming through or under him as if each Unitholder or such person expressly agreed that such features, plans and terms should be so binding.

### **SCHEME COMPARISON**

**Product positioning:** Invests in money market and short term instruments.

## 08. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

- ❑ All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed. - **NIL**
- ❑ In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed –
  - The AMC had allotted equity shares to Franklin Templeton Holding Limited, Mauritius during May 2000. The same was reported to the Reserve Bank of India (RBI) in December 2007. As per the regulations issued under the Foreign Exchange Management Act, 1999 (FEMA), allotment of shares by an Indian company to a non-resident has to be informed to the RBI within 30 days of the allotment. Any delay in reporting allotment is treated as contravention of the FEMA Regulations. The AMC had filed an application with RBI to compound the contravention as provided in the said Regulations. Taking into account the relevant facts and circumstances, a lenient view was taken by RBI and as per the order issued, the AMC has paid a sum of Rs.2.50 Lacs towards compounding.
  - The Office of the Registrar of Companies, Mumbai (“ROC”) has issued a letter stating that it was observed that Franklin Templeton Asset Management (India) Pvt. Ltd. (“FTAMIL”) did not appoint Company Secretary as per provisions of section 383A of the Companies Act, 1956 (“the Act”) for a certain period of time and has warned FTAMIL to be careful in compliance with the provisions of the Act in future. FTAMIL has requested the Ministry of Corporate Affairs for withdrawal of the said letter based on a certificate issued by the ROC.
- ❑ Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed - **NIL**
- ❑ Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately:

### INTERNATIONAL OPERATIONS

- Three individual plaintiffs filed a consolidated class action and derivative complaint in the U.S. District Court for the Southern District of Florida, against Templeton Vietnam Opportunities Fund, Inc. (later known as Templeton Vietnam and Southeast Asia Fund, Inc.); Templeton Asset Management, Ltd., an indirect wholly-owned subsidiary of Franklin Resources, Inc. (“FRI”) and the investment manager of the closed-end investment company; certain of the fund’s officers and directors; FRI; and Templeton Worldwide, Inc., an FRI subsidiary. The plaintiffs in that action, captioned *In re: Templeton Securities Litigation* (Civil Action No. 98-6059) moved to certify a class with respect to certain claims raised in the consolidated complaint. The District Court denied the plaintiffs’ motion to certify a class with respect to their claims. Plaintiffs then filed a petition to the Eleventh Circuit Court of Appeals to hear an interlocutory appeal of that decision of the District Court. Thereafter, while the petition was pending, an agreement was reached in writing settling the action. Under the terms of the settlement agreement, the plaintiffs and defendants agreed to resolve all claims for \$6.5 million, including plaintiffs’ attorneys fees and the costs of administering the settlement. On April 3, 2002, the settlement was approved by the District Court. The Fund received \$2 million in the settlement, which was reflected in the Fund’s net asset value as of April 3, 2002. The defendants agreed to the settlement to avoid the further expense, inconvenience and distraction of the proceedings in this protracted case. The settlement did not contain, and specifically denies, any admission of wrongdoing or violation of law by any of the defendants.
- Templeton International Inc. is involved from time to time in litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of such

claims will not materially affect Franklin Templeton Investments' business or financial position.

#### **INDIAN OPERATIONS**

- One of the investors under Templeton India Growth Fund had made investment to the tune of Rs.1,00,00,001/- under Section 54EB of the Income Tax Act, 1961. In accordance with the legal opinion of the counsel of the Fund, the Fund is of the view that investments under Section 54EB of the Income Tax Act, 1961 read with CBDT Notification No.10247 dated December 19, 1996, the units had to be locked-in for a period of seven years from the date of investment. However, the investor had disputed this stand and had filed a writ petition in the High Court of Delhi seeking the direction of the court for premature redemption of units, with Franklin Templeton Mutual Fund as one of the respondents. The Honourable Delhi High Court vide its order dated 3<sup>rd</sup> August 2000 directed SEBI to dispose of the representation filed by the investor. The investor then filed a representation with SEBI. After hearing the petitioner and the respondents, SEBI rejected the representation vide order dated September 4, 2000 upholding the stand of the Mutual Fund. Subsequently, the investor had filed a Memorandum of Appeal with the Securities Appellate Tribunal, Mumbai against the SEBI order dated September 4, 2000. The Tribunal dismissed the appeal vide its order dated February 15, 2001 and upheld the stand of the Mutual Fund. The investor has filed a petition in the Delhi High Court challenging the order of the Securities Appellate Tribunal and challenging the Central Board of Direct Taxes (CBDT) order.
  - The AMC is involved from time to time in litigation relating to claims arising in the normal course of business. The Company is of the opinion that the ultimate resolution of such claims will not materially affect its business or financial position.
- Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed: **Nil**

The above information has been disclosed in good faith as per the information available to the AMC.

Notwithstanding anything contained in the Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Guidelines thereunder shall be applicable.

This Scheme Information Document is an updated version of the same in line with the current laws/regulations and other developments.

For **FRANKLIN TEMPLETON ASSET MANAGEMENT (INDIA) PVT. LTD.**

Investment Manager: FRANKLIN TEMPLETON MUTUAL FUND

Sd/-  
Harshendu Bindal  
**President**

## DIRECTORY

<b>Sponsor</b> Templeton International, Inc. 500 East Broward Boulevard, Suite 2100, Fort Lauderdale, Florida 33394 – 3091, USA.	<b>Investment Manager</b> Franklin Templeton Asset Management (India) Pvt. Ltd. Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013	<b>Trustee</b> Franklin Templeton Trustee Services Pvt. Ltd. Indiabulls Finance Centre, Tower 2, 12th and 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013
<b>Registrars</b> Franklin Templeton Asset Management (India) Pvt. Ltd. Unit 301, III Floor, Campus 4B RMZ Millenia Business Park 143 Dr. MGR Road Kandanchavadi Chennai 600096	<b>Custodians</b> Citibank, N.A. 11th Floor, First International Financial Centre (FIFC) C-54 & C-55, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051	<b>Auditors</b> S. R. Batliboi & Co. LLP 6 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021
	<b>Legal Advisors</b> J. Sagar Associates Vakils House 18 Sprott Road, Ballard Estate Mumbai 400 001	

### Franklin Templeton Branch Offices (Investor Service Centres/ISC) at Mumbai

(a) Office No. 37, 3rd Floor, Maker Chamber – VI, Nariman Point, Mumbai 400021	(b) Indiabulls Finance Centre, Tower 2, 13th Floor, Senapati Bapat Marg, Elphinstone Road (West), Mumbai 400013
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