L&T Mutual Fund
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L&T Financial Services
Mutual Fund

NOTICE CUM ADDENDUM TO THE SCHEME INFORMATION DOCUMENT ("SID") AND KEY INFORMATION MEMORANDUM ("KIM").

Notice cum addendum is hereby given that the below risk factors associated with investments in repo transactions in corporate debt securities will be added under the risk factors of L&T Banking and PSU Debt Fund, L&T Cash Fund, L&T Credit Risk Fund, L&T Flexi Bond Fund, L&T Liquid Fund, L&T Low Duration Fund, L&T Money Market Fund, L&T Resurgent India Bond Fund , L&T Short Term Bond Fund, L&T Triple Ace Bond Fund, L&T Ultra Short Term Fund, L&T Conservative Hybrid Fund & L&T Hybrid Equity Fund, the schemes of L&T Mutual Fund.

Risks factors associated with investments in repo transactions in corporate debt securities

In repo transactions, also known as a repo or sale repurchase agreement, securities are sold with the seller agreeing to buy them back at later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest. A repo is economically similar to a secured loan, with the buyer receiving corporate debt securities as collateral to protect against default. The Scheme may invest in repo of corporate debt securities which are subject to the following risks:

Counterparty Risk: This refers to the inability of the seller to meet the obligation to buy back securities at the contracted price on the contracted date. The Investment Manager will endeavour to manage counterparty risk by dealing only with counterparties, having strong credit profiles, approved by our credit risk analysis team. The exposure to each counterparty will be within the overall approved credit limits. Also the counterparty risk is to an extent mitigated by taking collateral equivalent in value to the transaction after knocking off a minimum haircut on the intrinsic value of the collateral. In the event of default by the repo counterparty, the scheme shall have recourse to the corporate debt securities.

Collateral Risk: Collateral risk arises when the market value of the securities is inadequate to meet the repo obligations. This risk is mitigated by restricting participation in repo transactions with collateral bearing a minimum rating as prescribed by the regulators (currently AA or equivalent and above rated money market and corporate debt securities). Any rating downgrade will tantamount to either an early termination of the repo agreement or a call for fresh margin to meet the minimum haircut requirement. In addition, the Investment manager may apply a higher haircut on the underlying security than mentioned above to adjust for the illiquidity and interest rate risk on the underlying instrument. The adequacy of the collateral will be monitored on a daily basis by considering the daily market value & applying the prescribed haircut. In the event of shortfall in the collateral, the counterparty shall be asked to replenish the same. If the counterparty is not able to top-up either in form of cash / collateral, it shall tantamount to early termination of the repo agreement.

Settlement Risk: Corporate Debt Repo (CDR) shall be settled between two counterparties in the OTC segment unlike in the case of Government securities repo transactions where CCIL stands as central counterparty on all transactions which neutralizes the settlement risk. However, the settlement risk pertaining to CDRs shall be mitigated through Delivery versus Payment (DvP) mechanism which is followed by all clearing members.

Necessary/incidental changes, if any, shall be made in the SID and KIM of the above Schemes in this regard.

This Addendum forms an integral part of the SID and KIM of the above Schemes of L&T Mutual Fund.

All other terms and conditions of the SID and KIM of the above Schemes of L&T Mutual Fund will remain unchanged.

For L&T Investment Management Limited
(Investment Manager to L&T Mutual Fund)

Date : November 26, 2018
Place: Mumbai

Kailash Kulkarni
Chief Executive Officer

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

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