

Addendum (No. 61 of F.Y. 2021 – 2022)

Swing pricing framework for open-ended debt schemes of L&T Mutual Fund (except L&T Overnight Fund and L&T Gilt Fund) (“Eligible Schemes”):

Investors are requested to note that SEBI has vide circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 introduced swing pricing framework for open-ended debt mutual fund schemes (except Overnight funds, Gilt funds and Gilt with 10-year maturity funds).

Swing pricing due to market dislocation:

On declaration of ‘market dislocation’ by SEBI for specified period, the swing pricing framework shall be mandated for the Eligible Schemes which fulfill both the following conditions:

1. Have ‘High’ or ‘Very High Risk’ on the risk-o-meter in terms of SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 5, 2020 (as of the most recent period at the time of declaration of market dislocation); and
2. Classify themselves in the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix in terms of SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 7, 2021.

Investors may note that the following minimum swing factor shall be applicable for the Eligible Schemes:

Minimum swing factor			
Maximum Credit Risk of scheme →	Class A (Credit Risk Value >=12)	Class B (Credit Risk Value >=10)	Class C (Credit Risk Value <10)
Maximum Interest Rate Risk of the scheme ↓			
Class I: (Macaulay Duration <=1 year)	-	-	1.5%
Class II: (Macaulay Duration <=3 years)	-	1.25%	1.75%
Class III: Any Macaulay Duration	1%	1.5%	2%

Investors may further note the following aspects pertaining to swing pricing:

- a) When swing pricing framework is triggered and swing factor is made applicable, both the incoming and outgoing investors shall get Net Asset Value (NAV) adjusted for swing factor.
- b) Swing pricing shall be made applicable to all unitholders at PAN level with an exemption for redemptions upto Rs. 2 lacs for each Eligible Scheme. Intra-scheme switches in the Eligible Scheme i.e. switches within an Eligible Scheme viz. from Regular Plan to Direct Plan and vice-versa or from Growth option to Income Distribution cum Capital Withdrawal option and vice versa, will be excluded from applicability of swing pricing.
- c) The swing pricing framework will be made applicable only for scenarios related to net outflows from the Eligible Schemes.

Investors may refer to the below illustration to understand the impact on the NAV for incoming and outgoing investors due to swing pricing.

Illustration:

Effect on the NAV for incoming and outgoing investors in the scheme where swing pricing is made applicable:

- 1) Applicability of swing pricing – Market dislocation as announced by SEBI
- 2) Specified period for applicability of swing pricing – As notified by SEBI.
- 3) Transactions covered (for applicability of swing factor)
 - a) Subscriptions including switch-ins
 - b) Redemptions including switch-outs
- 4) Transactions excluded/ exempted:
 - a) Redemptions upto Rs. 2 lacs (aggregated at PAN level)
 - b) Intra-scheme switches in the scheme i.e. switches within a scheme viz. from Regular Plan to Direct Plan and vice-versa or from Growth option to Income Distribution cum Capital Withdrawal option and vice versa
- 5) Unswung NAV – Rs.10/- (This is normal NAV before applying swing factor)
- 6) Mandatory swing factor - 2% (Assuming the scheme has a high risk-o-meter and a PRC matrix of C-III)
- 7) NAV adjustment for subscriptions and redemptions in the scheme during the specified period:

Unswung viz. Normal NAV (Rs.)	Swing factor (%)	Swung viz. Adjusted NAV (Rs.)
10.0000	2	9.8000

The swing pricing framework is subject to the operational guidelines issued by SEBI / AMFI from time to time.

All other features and terms & conditions of the Eligible Schemes of the Fund will remain unchanged.

This addendum forms an integral part of the Scheme Information Document (SID) & Key Information Memorandum (KIM) of the Eligible Schemes of the Fund.

For L&T Investment Management Limited
CIN: U65991MH1996PLC229572
(Investment Manager to L&T Mutual Fund)

Date : December 27, 2021

Place: Mumbai

Sd/-
Authorised Signatory

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