L&T MUTUAL FUND

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Addendum (No. 43 of F.Y. 2022 – 2023)

Changes in the features of L&T Conservative Hybrid Fund

Unitholders are hereby informed that in terms of notice dated October 15, 2022 with effect from the close of business hours on November 25, 2022, L&T Conservative Hybrid Fund will be merged with HSBC Regular Savings Fund. Accordingly, the revised provisions of the surviving scheme will be as under:

Key Features: Conservative Hybrid Fund

Name of the Scheme / Description	**L&T Conservative Hybrid Fund** **Scheme Getting Merged ("Transferor Scheme ")**	**HSBC Regular Savings Fund** **Scheme with which Transferor Scheme is to be Merged (“Transferee Scheme")**	**HSBC Conservative Hybrid Fund** **(“Surviving scheme”)**
Type of scheme	An open-ended hybrid scheme investing predominantly in debt instruments	An open ended hybrid scheme investing predominantly in debt instruments	An open-ended hybrid scheme investing predominantly in debt instruments
Investment Objective	To generate regular income through investments in a range of Debt, Equity and Money Market Instruments. Income will be distributed only if the same is earned by the Scheme and there can be no assurance that the objective of the Scheme will be realized.	To seek generation of reasonable returns through investments in debt and money market Instruments. The secondary objective of the Scheme is to invest in equity and equity related instruments to seek capital appreciation. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	To seek generation of reasonable returns through investments in debt and money market Instruments. The secondary objective of the Scheme is to invest in equity and equity related instruments to seek capital appreciation. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.
Asset Allocation	Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:	Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:	Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:

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L&T Financial Services
Mutual Fund

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<table>
<tr><td rowspan="2">Instruments</td><td colspan="2">Indicative Allocation
(% of net assets)</td><td rowspan="2">Risk Profile</td></tr>
<tr><td>Maximum</td><td>Minimum</td></tr>
<tr><td>Debt, Money Markets & Government Securities (including cash/call money)*</td><td>90%</td><td>75%</td><td>Low to Medium</td></tr>
<tr><td>Equity & Equity related instruments</td><td>25%</td><td>10%</td><td>Medium to High</td></tr>
</table>
Investments will be made in line with the asset allocation of the scheme and the applicable SEBI and / or AMFI guidelines as specified from time to time
*includes investments in securitized debt up to 50% of total assets.
Debt instruments would include all debt securities issued by entities such as banks, companies, public sector undertakings, municipal corporations, body corporates, warrants, equity linked debentures (with no equity component), compulsorily convertible debenture (with no equity linked returns), capital instruments including Basel III bonds, central
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<tr><td>Minimum</td><td>Maximum</td></tr>
<tr><td>Debt Instruments and Money Market Instruments (including cash, money at call and reverse repos)</td><td>75%</td><td>90%</td><td>Low to Medium</td></tr>
<tr><td>Equities and Equity related instruments</td><td>10%</td><td>25%</td><td>High</td></tr>
</table>
If the Scheme decides to invest in securitized debt, it is the intention of the Investment Manager that such investments will not normally exceed 50% of the corpus of the Scheme and if the Scheme decides to invest in
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<tr><td>Debt Instruments and Money Market Instruments (including cash, money at call and reverse repos)</td><td>75%</td><td>90%</td><td>Low to Medium</td></tr>
<tr><td>Equities and Equity related instruments</td><td>10%</td><td>25%</td><td>High</td></tr>
<tr><td>Units issued by REITs and InvITs</td><td>0%</td><td>10%</td><td>Medium to Low</td></tr>
</table>
Investments will be made in line with the asset allocation of the scheme and the applicable SEBI and / or AMFI guidelines as specified from time to time
If the Scheme decides to invest in securitized debt, it is the intention of the Investment Manager that such investments will not normally exceed 20% of the net assets of the Scheme.
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Name of the Scheme / Description	L&T Conservative Hybrid Fund Scheme Getting Merged ("Transferor Scheme ")	HSBC Regular Savings Fund Scheme with which Transferor Scheme is to be Merged ("Transferee Scheme")	HSBC Conservative Hybrid Fund ("Surviving scheme")
	government securities, state development Loans and UDAY Bonds, recapitalization bonds, municipal bonds and Gsec repos and any other instruments as permitted by regulators from time to time. Money Market Instruments would include Certificate of deposits, Commercial papers, T-Bills, Repo, Reverse Repos and TREP, bill rediscounting, bills of exchange / promissory notes, standby letter of credit (SBLC) backed commercial papers and government securities having unexpired maturity of 1 year. It will also include all eligible instruments as specified by SEBI and RBI from time to time. • The Scheme will take exposure to repos of corporate bonds, subject to applicable SEBI regulations. • The Scheme shall invest in repos of corporate bonds up to 10% of its total assets. • The Scheme may also invest into deposits of scheduled commercial banks as permitted under the extant Regulations • The Scheme may also enter into "Repo", "Stock Lending" or such other transactions as may be allowed by SEBI regulations from time to time. • The Scheme may invest in Foreign Securities up to 10% of total assets of the Scheme subject to the Eligible Investment Amount. • The Scheme may invest in derivatives up to 100% of the total assets of the Scheme for the purpose of hedging and portfolio	ADRs / GDRs issued by Indian Companies and foreign securities in line with SEBI stipulation, it is the intention of the Investment Manager that such investments will not, normally exceed 25% of the assets of the Scheme. The Scheme shall under normal circumstances not have exposure of more than 25% of its net assets in derivative instruments. Investments in derivatives would be in accordance with the SEBI Regulations issued from time to time.	The Scheme may invest in repos of corporate bonds up to 10% of its total assets of the Scheme and not more than 5% of the net assets of the Scheme shall be deployed in stock/securities lending to any single counter-party /intermediary. Derivative positions in equity instruments for other than hedging purposes shall not exceed 50% of the total equity assets of the Scheme. The Scheme shall have derivative exposure as per the SEBI regulations issued from time to time. The Scheme may take positions in fixed income derivatives up to 50% of the total fixed income assets of the Scheme for the purpose of hedging and portfolio balancing purposes. Further, in line with SEBI circular dated September 27, 2017, the Scheme is permitted to imperfectly hedge their portfolio or a part of their portfolio by using Interest Rate Futures. These may include instruments such as interest rate swaps, interest rate futures, credit default swaps, forward rate agreements, etc. The Scheme may participate in Credit Default Swap (CDS) transactions in line with the guidelines issued by SEBI / RBI from time to time. As per the extant regulatory guidelines, the exposure to a single counterparty in CDS transactions shall not exceed 10% of the net assets of the Scheme. The total exposure related to premium paid for all derivative positions, including CDS, shall not exceed 20% of the net assets of the Scheme.

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	balancing purposes in accordance with conditions as may be stipulated by SEBI/ RBI from time to time. These may include instruments such as interest rate swaps, interest rate futures, credit default swaps, forward rate agreements, etc. • The cumulative gross exposure through, debt, derivative positions including fixed income derivatives, repo transactions and credit default swaps in corporate debt securities, and such other securities/assets as may be permitted by SEBI from time to time shall not exceed 100% of the net assets of the Scheme. • For details regarding % investment by the Scheme under scrip lending please refer paragraph "Scrip Lending by the Mutual Fund". Due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short-term purpose only, and the intention being at all times to protect the interests of the Unit Holders . In the event of deviations, rebalancing will normally be carried out within 30 days.		The Scheme may invest in Foreign Securities including ADR/GDR upto 30% of its total assets subject to the Eligible Investment Amount. Investment in Foreign Securities shall be subject to the investment restrictions specified by SEBI/RBI from time to time. The Scheme shall invest in repos of corporate bonds up to 10% of its total assets. The Scheme may engage in short selling and securities lending. The Scheme may also take exposure to stock lending up to 20% of net assets and not more than 5% of the net assets of the Scheme shall be deployed in scrip lending to any single counter-party . Pending deployment of funds, the Scheme may invest them into deposits of scheduled commercial banks as permitted under the extant Regulations. The Scheme may also enter into "Repo", "Stock Lending" or such other transactions as may be allowed by SEBI regulations from time to time. The Scheme may participate in instruments with special features including Additional Tier 1 bonds and Additional Tier 2 bonds as prescribed under SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated 10th March 2021 and any other guidelines issues by SEBI from time to time. As per the extant regulatory guidelines, the Scheme shall not invest –

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			a. more than 10% of its net assets in such instruments; and b. more than 5% of its net assets in such instruments issued by a single issuer. The cumulative gross exposure through equity, debt, REITs, InvITs, derivative positions including fixed income derivatives, repo transactions and credit default swaps in corporate debt securities, and such other securities/assets as may be permitted by SEBI from time to time, subject to requisite approvals, if any, shall not exceed 100% of the net assets of the Scheme. All investments shall be Subject to compliance with 'Restrictions on Investment in debt instruments having Structured Obligations / Credit Enhancements' as prescribed under SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 01, 2019 and any other guidelines issued by SEBI from time to time. As per extant regulatory guidelines, the Scheme shall not invest more than 10% of its net assets in following instruments: a. Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and b. Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.

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			Due to market conditions, the AMC may invest beyond the range set out in the asset allocation. Such deviations shall normally be for short term and defensive considerations as per SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 4, 2021, and the fund manager will rebalance the portfolio within 30 calendar days from the date of deviation. Further, as per SEBI Circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39 dated March 30, 2022, as may be amended from time to time, in the event of deviation from mandated asset allocation due to passive breaches (occurrence of instances not arising out of omission and commission of the AMC), the fund manager shall rebalance the portfolio of the Scheme within 30 Business Days. In case the portfolio of the Scheme is not rebalanced within the period of 30 Business Days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee of the AMC. The Investment Committee, if it so desires, can extend the timeline for rebalancing up to sixty (60) Business Days from the date of completion of mandated rebalancing period. Further, in case the portfolio is not rebalanced within the aforementioned mandated plus extended timelines the AMC shall comply with the prescribed restrictions, the reporting and disclosure requirements as specified in SEBI circular dated March 30, 2022

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Investment Strategy	The overall portfolio structuring would aim at controlling risk at moderate level. Stock specific risk will be minimized by investing only in those companies that have been thoroughly researched in-house. Risk will also be managed through broad diversification of the portfolios within the framework of the Scheme's investment objective and policies. The Fund Management team endeavours to meet the investment objective whilst maintaining a balance between safety, liquidity and return on investments. With a view to maintain low to medium risk, the Scheme may focus on short to medium-term securities. The Scheme shall be actively managed, and the Fund Management team may endeavor to generate superior returns whilst moderating credit and interest rate risk. The Fund Manager shall formulate a view of the interest rate movement based on various parameters of the Indian economy, as well as developments in global markets. Investment views/decisions inter alia may be taken on the basis of the following parameters: • Returns offered relative to alternative investment opportunities. • Liquidity of the security • Prevailing interest rate scenario • Quality of the security/instrument (including the financial health of the issuer) • Maturity profile of the instrument • Management quality, strategy, and vision • Business dynamics	The Scheme shall invest in debt and money market instruments and would seek to generate regular returns. The scheme may also invest in equity and equity related instruments to seek capital appreciation. The Scheme does not assure any returns. Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. Risk will also be reduced through adequate diversification of the portfolio. Diversification will be achieved by spreading the investments over a range of industries / sectors. The Scheme may invest in unlisted and / or privately placed and / or unrated debt securities subject to the limits indicated under Investment Restrictions for the Scheme prescribed in this SID, from issuers of repute and sound financial standing. If investment is made in unrated debt securities, the approval of the Board of the AMC and the Trustees or the Investment Management Committee (within the broad parameters approved by the Board of the AMC and the Trustees) shall be obtained, as per the Regulations. The AMC shall follow such policies as may be prescribed under the SEBI regulations from time to time. As per the asset allocation pattern indicated above, the Fund may invest in various debt	The Scheme shall invest in debt and money market instruments and would seek to generate regular returns. The scheme may also invest in equity and equity related instruments to seek capital appreciation. The Scheme does not assure any returns. Since investing requires disciplined risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. Risk will also be reduced through adequate diversification of the portfolio. Diversification will be achieved by spreading the investments over a range of industries / sectors. The Scheme may invest in unlisted and / or privately placed and / or unrated debt securities subject to the limits indicated under Investment Restrictions for the Scheme prescribed in this SID, from issuers of repute and sound financial standing. If investment is made in unrated debt securities, the approval of the Board of the AMC and the Trustees or the Investment Management Committee (within the broad parameters approved by the Board of the AMC and the Trustees) shall be obtained, as per the Regulations. The AMC shall follow such policies as may be prescribed under the SEBI regulations from time to time. As per the asset allocation pattern indicated above, the Fund may invest in various debt securities and money market instruments issued by corporates and / or state and central government. Such government

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	• Financial strength of the company • Free cash flow generation • Returns on capital employed and returns on equity • Intangible assets such as brands, distribution etc. • Valuation in relation to the history of the stock as well as its peer group. • Any other factors considered relevant in the opinion of the Fund Management team. The Scheme may also use derivatives to reduce the volatility of the portfolio and/or to enhance the portfolio returns. The Scheme may try to identify securities that yield relative value over others for similar risk and liquidity level. Various analytical tools like yield curve analysis, spreads between asset classes, horizon returns, forward implied interest rates, may be deployed to evaluate various investment options. Investments in debt instruments carry various risks like interest rate risk, liquidity risk, default risk, reinvestment risk etc. Whilst these cannot be done away with, they may be minimized by diversification and effective use of hedging techniques. Other than investing in overseas securities, the Scheme may use techniques and instruments such as futures and options, warrants etc. to hedge the risk of fluctuations in the value of the investment portfolio. The Scheme may enter into derivatives transactions in a recognized stock exchange for the purpose of hedging and portfolio balancing in accordance with	securities and money market instruments issued by corporates and / or state and central government. Such government securities may include securities which are supported by the ability to borrow from the treasury or supported only by the sovereign guarantee or of the state government or supported by GOI / state government in some other way. With the aim of controlling risks, rigorous in depth credit evaluation of the instruments proposed to be invested in will be carried out by the Investment Team of the AMC. The credit evaluation includes a study of the operating environment of the company, the past track record as well as the future prospects of the issuer, the short as well as long-term financial health of the issuer. The AMC will also be guided by the ratings of rating agencies such as CRISIL, CARE and ICRA or any other rating agency as approved by the regulators. In addition, the Investment Team of the AMC will study the macro economic conditions, including the political, economic environment and factors affecting liquidity and interest rates. The AMC would use this analysis to attempt to predict the likely direction of interest rates and position the portfolio appropriately to take advantage of the same. A top down and bottom up approach will be used to invest in equity and equity related	securities may include securities which are supported by the ability to borrow from the treasury or supported only by the sovereign guarantee or of the state government or supported by GOI / state government in some other way. With the aim of controlling risks, rigorous in-depth credit evaluation of the instruments proposed to be invested in will be carried out by the Investment Team of the AMC. The credit evaluation includes a study of the operating environment of the company, the past track record as well as the future prospects of the issuer, the short as well as long-term financial health of the issuer. The AMC will also be guided by the ratings of rating agencies such as CRISIL, CARE and ICRA or any other rating agency as approved by the regulators. In addition, the Investment Team of the AMC will study the macro economic conditions, including the political, economic environment and factors affecting liquidity and interest rates. The AMC would use this analysis to attempt to predict the likely direction of interest rates and position the portfolio appropriately to take advantage of the same. A top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in select sectors based on the Investment Team's analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors. The fund manager in selecting scrips will

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	the guidelines issued by SEBI. These derivative instruments will include interest rate swaps, forward rate agreements, interest rate futures, index and stock futures and options or any other derivative instruments that are permissible or may be permissible in future under applicable regulations. Using Index Futures to increase percentage investments in equities: This strategy will be used for the purpose of generating returns on idle cash, pending its investment in equities. The Scheme is open-ended in nature and subject to daily inflows. There may be a time lag between the inflow of funds and their deployment in equities. If so desired, the Investment Manager would be able to take immediate exposure to equities via index futures. The position in index futures may be reversed in a phased manner, as the funds are deployed in the equity markets. Using Index Futures to decrease percentage investments in equities: Similarly, in the case of a pending outflow of funds or where a negative view is taken on the market, the Investment Manager, in order to reduce exposure in equities may ‘sell the index forward’ by taking a short position in index Futures. This position can be unwound over a period in time by simultaneously selling the equity shares from the investment portfolio of the Scheme. Since the price of the futures contracts is expected to be positively correlated with the index, the value of a	instruments. Investments will be pursued in select sectors based on the Investment Team’s analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors. The fund manager in selecting scrips will focus on the fundamentals of the business, the industry structure, the quality of management, sensitivity to economic factors, the financial strength of the company and the key earnings drivers. The Scheme may invest in other Scheme(s) managed by the AMC or in the schemes of any other mutual fund, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments.	focus on the fundamentals of the business, the industry structure, the quality of management, sensitivity to economic factors, the financial strength of the company and the key earnings drivers. The Scheme may invest in other Scheme(s) managed by the AMC or in the schemes of any other mutual fund, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments.

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	short position will move in the direction opposite to the movement in the index. The strategy of taking a short position in the index future is a hedging strategy and reduces the market risk and volatility of the portfolio.		
Tier 1 Benchmark Index	NIFTY 50 Hybrid Composite Debt 15:85 Index	CRISIL Hybrid 85+15 - Conservative Index	CRISIL Hybrid 85+15 - Conservative Index
Plan / Options /Sub-options	• Growth • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct • Payout of IDCW- Quarterly & Monthly • Reinvestment IDCW - Quarterly & Monthly In accordance with the requirements under SEBI, no fresh applications are accepted currently under the plan/option viz. L&TCHF* # - Institutional, Bonus *If a valid Purchase application is received under the aforesaid plans ("Discontinued Plans"), the application will be processed under the Scheme subject to fulfilment of the minimum application amount requirement of the said Scheme. # If a valid Purchase application is received in the Bonus Option, the application will be compulsorily processed under the growth option of the scheme/plan.	• Growth • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct • Payout of IDCW - Quarterly & Monthly • Reinvestment IDCW - Quarterly & Monthly	• Growth • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) – • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct • - Payout of IDCW - Quarterly & Monthly • - Reinvestment IDCW - Quarterly & Monthly

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Loads (Including SIP / STP where applicable)	Entry Load: Not Applicable **Exit Load:** If the units redeemed or switched out are upto 10% of the units purchased or switched in ("the limit") within 1 year from the date of allotment – Nil If units redeemed or switched out are over and above the limit within 1 year from the date of allotment – 1% If units are redeemed or switched out on or after 1 year from the date of allotment. – Nil Bonus units and units issued on reinvestment of dividends shall not be subject to Exit Load A switch-out or a withdrawal under SWP or a transfer under STP (except a switch-out or a transfer under STP into any of the Equity Schemes except L&T Arbitrage Opportunities Fund) may also attract an Exit Load like any Redemption. No Exit Load will be chargeable in case of switches made between different options of the Scheme. No Exit Load will be chargeable in respect of redemption / switch out of (i) Units allotted on account of dividend re-investments; and (ii) Units issued by way of bonus, if any. In case of units switched out/systematically transferred to another option/plan within the same plan/Scheme and if subsequently redeemed, for the purpose of determining the Exit Load, the date when such units were first allotted in the respective plan/Scheme will be considered as the purchase/allotment date.	Entry Load: Nil Exit Load: Nil	Entry Load*: Not Applicable Exit Load: Nil **In terms of SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009, no entry load will be charged to the investor effective August 1, 2009*

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Liquidity	The Scheme will offer Units for Purchase and Redemption at Applicable NAV on every Business Day. The Mutual Fund will endeavour to dispatch the Redemption proceeds within 3 Business Days from the date of acceptance of the Redemption request.	Being an open ended Scheme, Units may be purchased or redeemed on every Business Day at NAV based prices, subject to provisions of exit load, if any. The Fund will, under normal circumstances, endeavour to dispatch redemption proceeds within 1 Business Day. It may be noted that units under Segregated Portfolio, if any, cannot be redeemed or purchased. However, the unit of Segregated Portfolio will be listed on the recognised Stock Exchange.	Being an open ended Scheme, Units may be purchased or redeemed on every Business Day at NAV based prices, subject to provisions of exit load, if any. The Fund will, under normal circumstances, endeavour to dispatch redemption proceeds within 3 Business Days. It may be noted that units under Segregated Portfolio, if any, cannot be redeemed or purchased. However, the unit of Segregated Portfolio will be listed on the recognised Stock Exchange.
Segregated Portfolio	Enabled	Enabled	Enabled (Definition of Credit Event is modified as under to include trigger date for instruments with special features as prescribed under SEBI circular no SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021)
Definition of Credit Event (for 'Creation of segregated portfolio')	**Creation of Segregated Portfolio** Creation of Segregated Portfolio shall be subject to guidelines specified by SEBI from time to time and includes the following: 1) Segregated Portfolio may be created, in case of a Credit Event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under: a. Downgrade of a debt or money market instrument to 'below investment grade', or b. Subsequent downgrades of the said instruments from 'below investment grade', or c. Similar such downgrades of a loan rating.	**Credit Event (With respect to creation of a Segregated Portfolio):** Credit Event refers to issuer level downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under: a. Downgrade of a debt or money market instrument to 'below investment grade', or b. Subsequent downgrades of the said instruments from 'below investment grade', or c. Similar such downgrades of a loan rating	**Credit Event (With respect to creation of a Segregated Portfolio):** Credit Event refers to issuer level downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under: a. Downgrade of a debt or money market instrument to 'below investment grade', or b. Subsequent downgrades of the said instruments from 'below investment grade', or c. Similar such downgrades of a loan rating.

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	2) In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of Segregated Portfolio shall be based on issuer level Credit Events as mentioned above and implemented at the ISIN level. 3) In case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments, actual default of either the interest or principal amount by the issuer of such instruments shall be considered as a Credit Event for creation of Segregated Portfolio. 4) Creation of Segregated Portfolio is optional and is at the discretion of the AMC.	In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. In case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments, actual default of either the interest or principal amount by the issuer of such instruments shall be considered as a Credit Event for creation of Segregated Portfolio. Note: The AMC may create a Segregated Portfolio, in case of a Credit Event in accordance with SEBI guidelines as amended from time to time. Creation of Segregated Portfolio shall be optional and at the discretion of the AMC.	d. Trigger of a pre-specified event for loss absorption in case of debt instruments with special features such as subordination to equity (absorption of losses before equity capital) and/or conversion to equity upon trigger of a pre-specified event for loss absorption. In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. In case of unrated debt or money market instruments of an issuer that does not have any outstanding rated debt or money market instruments, actual default of either the interest or principal amount by the issuer of such instruments shall be considered as a Credit Event for creation of Segregated Portfolio. In case of debt instruments with special features mentioned above, if the instrument is to be written off or converted to equity pursuant to any proposal, the date of said proposal may be treated as the Trigger Date. However, if the said instruments are written off or converted to equity without proposal, the date of write off or conversion of debt instrument to equity may be treated as the Trigger Date. Note: The AMC may create a Segregated Portfolio, in case of a Credit Event in accordance with SEBI guidelines as amended from time to time. Creation of

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			Segregated Portfolio shall be optional and at the discretion of the AMC.

A. Risk factors related to investments in Structured Obligations (SO) / Credit Enhancements (CE):

Structured Obligations (SO) are complex financial instruments issued by entities intending to improve their financing profile with the help of non-conventional financial instruments. Credit Enhancement (CE) rating is assigned by Credit Rating agencies to a debt security based on an identifiable credit enhancement for the security which could be in the form of letter of comfort, guarantee, shortfall undertaking etc. from another entity than the issuer, related or not related to the issuer. CE could additionally include pledging of equity shares listed on a stock exchange with a suitable haircut. Apart from standard risks related to debt instruments, these instruments are further exposed the below risks:

Liquidity Risk: SO rated securities are often complex structures, with a variety of credit enhancements. Debt securities generally lack a well-developed secondary market in India, and due to the credit enhanced nature of CE securities as well as structured nature of SO securities, the liquidity in the market for these instruments is shallow compared to similar rated conventional debt instruments. Hence, lower liquidity of such instruments, could lead to inability of the scheme to exit such debt instruments when required and generate liquidity for the scheme or lead to higher impact cost when such instruments are sold impacting portfolio returns.

Credit Risk: Securities which have a structure with a guarantee from the corporate / promoter, may see an adverse effect if there are any signs of stress at the promoter / group level, even though the standalone borrowing entity's debt servicing capability and repayments may not see any material impact, from a future cash flow perspective. CEs are exposed to credit risk pertaining not only to the issuer of the security but also to the entity providing the credit enhancement. The credit risk of debt instruments which are CE rated is based on the combined strength of the issuer as well as the structure. Hence, any weakness in either the issuer or the structure could have an adverse credit impact on the debt instrument. The weakness in structure could arise due to inability of the investors to enforce the structure due to issues such as legal risk, inability to sell the underlying collateral or enforce guarantee, etc. Therefore, apart from issuer level credit risk such debt instruments are also susceptible to structure related credit risk

B. Risk factors associated with investments in Perpetual Debt Instruments (PDI) including Additional Tier-1 and Tier-2 bonds

The Scheme may invest in certain debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption including Additional Tier I bonds and Tier 2 bonds issued under Basel III framework (known as perpetual debt instruments). PDIs are instruments issued by the borrower to strengthen their capital structure and as the name suggests these instruments do not have a specific maturity date but have an embedded call option instead and maybe less liquid than conventional debt instruments. These bonds are subordinate to all other debt and only senior to equity capital. The issuer may call or redeem the bonds on the call exercise date if they can refinance the issue at a cheaper rate, especially when interest rates are declining. The issuers of such instruments could be Banks, NBFCs and Corporates. PDIs issued by Banks and NBFCs fall under scope of Reserve Bank of India (RBI)'s guidelines for Basel III capital regulations. These are also referred to as Additional Tier I (AT1 bonds). However, there are no regulatory guidelines for issuance of PDIs by Corporates.

Since PDIs have special features other than usual non-convertible bonds, there are additional risks associated with such instruments which are listed below –

Risk related to coupon servicing –

Banks - As per the terms of the instruments, Banks may have discretion at all times to cancel distributions/payment of coupons. In the event of non-availability of adequate distributable reserves and surpluses or inadequacy in terms of capital requirements, RBI may not allow banks to make payment of coupons. These bonds may not be permitted to pay these coupons if the Bank's financial position improves subsequently (non-cumulative)

NBFCs - While NBFCs can defer/postpone payment of coupon in case paying the coupon leads to breach of capital ratios, they also have discretion at all times to cancel payment of coupon.

Corporates - Corporates usually have discretion to defer the payment of coupon. However, the coupon is usually cumulative and any deferred coupon shall accrue interest at the original coupon rate of the PDI.

Risk of write down or conversion to equity –

In the event of shortfall in maintenance of capital adequacy ratios and/or Point of Non Viability Trigger (PONV – a point defined by RBI when a bank is deemed to have become non-viable unless appropriate measures are taken to revive its operations or infusion of public sector capital), PDIs issued by Banks could be written down or converted to common equity. This risk does not exist in case of PDIs issued by NBFCs and Corporates.

Risk of call option not exercised by the issuer –

Banks and NBFCs - The issuing Banks and NBFCs have an option to call back the instrument after minimum period as per the regulatory requirement from the date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the issuer does not exercise the call on first call date, the Scheme may have to hold the instruments for a period beyond the first call exercise date and hence maybe exposed valuation impacts.

Corporates – Unlike Banks and NBFCs there is no minimum period for call date for Corporate issuers. However, if the corporate does not exercise the call option, the Scheme may have to hold the instruments for a period beyond the call exercise date and hence maybe exposed to valuation impacts.

Risk Mitigation – The Scheme will not invest more than 10% of the NAV of the scheme in such instruments and will limit exposure to 5% of the NAV of the Scheme for such instruments issued by a single issuer.

C. Provisions related to REITs & InvITs

Risks factors associated with investments in REITs & InvITs

Market Risk: REITs and InvITs Investments are volatile and subject to price fluctuations on a daily basis owing to the market conditions and factors impacting the underlying assets. AMC/Fund Manager's will do the necessary due diligence but actual market movements may be at variance with the anticipated trends.
Liquidity Risk: As the liquidity of the investments made by the Scheme(s) could, at times, be restricted by trading volumes, settlement periods, dissolution of the trust, potential delisting of units on the exchange etc. the time taken by the Mutual Fund for liquidating the investments in the scheme may be long in the event of immediate redemption requirement. Investment in such securities may lead to increase in the scheme portfolio risk. As these products are new to the market, they are likely to be exposed to liquidity risk.
Reinvestment Risk: Investments in REITs & InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of units or dividend pay-outs, interest payments etc. Depending upon the market conditions, interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. As a result, the proceeds may get invested at a lower rate.
Credit Risk: REITs & InvITs are likely to have volatile cash flows as the repayment dates would not necessarily be pre scheduled.
Regulatory / Legal Risk: REITs and InvITs being new asset classes, regulatory guidelines may be evolving in nature which may impact the investments in REITs and InvITs

Risks factors associated with investments in REITs & InvITs
Investment restrictions related to REITs & InvITs :
A mutual fund may invest in the units of REITs and InvITs subject to the following:
(a) No mutual fund under all its schemes shall own more than 10% of units issued by a single issuer of REIT and InvIT; and
(b) A mutual fund scheme shall not invest –
i. more than 10% of its NAV in the units of REIT and InvIT; and
ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

Provided that the limits mentioned in sub-clauses (i) and (ii) above shall not be applicable for investments in case of index fund or sector or industry specific scheme pertaining to REIT and InvIT.

D. Risk associated with short selling and securities lending

Short Selling Risk: The risk associated with upward movement in market price of security sold short may result in loss. The losses on short position may be unlimited as there is no upper limit on rise in price of a security.

Securities Lending: 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.

This Addendum forms an integral part of the Scheme Information Document (SID) & Key Information Memorandum (KIM) of the surviving scheme.

Investors are requested to take note of the above.

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

Date: November 24, 2022
Place: Mumbai

Sd/-
Authorised Signatory

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