L&T MUTUAL FUND

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Addendum (No. 43 of F.Y. 2022 – 2023)

Changes in the features of L&T Flexi Bond Fund

Unitholders are hereby informed that in terms of notice dated October 15, 2022 on and from the close of business hours on November 25, 2022, the revised provisions of L&T Flexi Bond Fund will be as under:

Key Features: Dynamic Bond Fund

Description	**HSBC Corporate Bond Fund** **Scheme Getting Merged ("Transferor Scheme ")**	**HSBC Flexi Debt Fund** **Scheme Getting Merged ("Transferor Scheme ")**	**L&T Flexi Bond Fund** **Scheme with which Transferor Scheme is to be Merged ("Transferee Scheme")**	**HSBC Dynamic Bond Fund** **(Erstwhile known as L&T Flexi Bond Fund)** **("Surviving scheme")**
Type of scheme	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. Relatively moderate interest rate risk and relatively low credit risk	An open ended dynamic debt scheme investing across duration. relatively high interest rate risk and relatively low credit risk.	An open-ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.	An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively low credit risk.
Investment Objective	To seek to generate reasonable income and provide risk-adjusted returns by investing primarily in AA+ and above rated corporate debt securities. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.	To deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. However, there can be no assurance or guarantee that the	To generate reasonable returns through a diversified portfolio of fixed income securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.	To deliver returns in the form of interest income and capital gains, along with high liquidity, commensurate with the current view on the markets and the interest rate cycle, through active investment in debt and money market instruments. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

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L&T Financial Services
Mutual Fund

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<td>investment objective of the scheme would be achieved.</td>
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<td>Asset Allocation</td>
<td>Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:
<table>
<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative Allocation (% of net assets)</th><th rowspan="2">Risk Profile</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Corporate Bonds rated AA+ and Above</td><td>80%</td><td>100%</td><td>Low to Medium</td></tr>
<tr><td>Corporate Bonds rated AA and below, including securitized debt*</td><td>0%</td><td>20%</td><td>Medium to High</td></tr>
<tr><td>Money market</td><td>0%</td><td>20%</td><td>Low</td></tr>
</table></td>
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<tr><td>Debt and money market instruments</td><td>0%</td><td>100%</td><td>Low to Medium</td></tr>
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If the Scheme decides to invest in securitised 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 foreign securities in line with SEBI stipulation, it is the intention of the Investment Manager that such investments will not, normally exceed 30% of the assets of the</td>
<td>Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:
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<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative Allocation (% of net assets)</th><th>Risk Profile</th></tr>
<tr><th>Minimum</th><th>Maximum</th><th></th></tr>
<tr><td>Debt Instruments*</td><td>0%</td><td>100%</td><td>Low to Medium</td></tr>
<tr><td>Money Market instruments^</td><td>0%</td><td>100%</td><td>Low to Medium</td></tr>
<tr><td>Units issued by REITs and InvITs</td><td>0%</td><td>10%</td><td>Medium to High</td></tr>
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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.</td>
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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.
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<tr><td>instruments including cash and cash equivalents and debt instruments issued by central and state governments</td><td></td><td></td><td></td></tr>
<tr><td>Units of REITs and InVITs</td><td>0%</td><td>10%</td><td>Medium To high</td></tr>
</table>
^ Net assets excluding the extent of minimum stipulated liquid assets in terms of SEBI circular dated June 25, 2021.
* If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not normally exceed 20% of the corpus of the Scheme. No investments shall be made in foreign securitized debt.
</td>
<td>Scheme. No investments shall be made in foreign securitised debt.
The net notional exposure to derivative shall not be more than 75% of the net assets. Investments in derivatives would be in accordance with the SEBI Regulations.</td>
<td>*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 government securities, state development loans and UDAY bonds, recapitalization bonds, municipal bonds and G-Sec 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 and such other instruments as eligible from time to time.
1. The Scheme may also enter into “Repo” and “Stock Lending”.
2. The Scheme may invest in securitized debt upto 50% of its total assets.
3. The Scheme will take exposure in</td>
<td>normally exceed 40% of the net assets of the Scheme.
The Scheme will take exposure in repos of corporate bonds up to 10%.
Pending deployment of funds, the Scheme may invest them into deposits of scheduled commercial banks as permitted under the extant Regulations.
The Scheme may engage in short selling and securities lending. . In case of securities lending, the Scheme may take exposure up to 20% of net assets and not more than 5% of the net assets of the Scheme shall be deployed in securities lending to any single counter-party/intermediary.

The Scheme may invest in derivatives up to 50% of the total debt 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 instruments may include instruments such as interest rate swaps, interest rate futures, credit default swaps, forward rate agreements, etc.</td>
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	The Scheme shall not invest in foreign securities. The Scheme shall under normal circumstances not have exposure of more than 50% of its net assets in derivative instruments (including Interest Rate Swaps, Interest Rate Forwards, Interest Rate Futures, Forward Rate Agreements and any such other derivative instruments permitted by SEBI/RBI from time to time). Investments in derivatives would be in accordance with the SEBI Regulations. The cumulative gross exposure through repo transaction in corporate debt security along with debt & money market instruments, REIT & InvIT units and derivative positions, shall not exceed 100% of net assets of the Scheme. 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, the investment of Scheme in fixed income instruments having Structured Obligations shall not exceed 30% of the net assets of the scheme. All investments shall be made		repos of corporate bonds up to 10% and Foreign Securities up to 25% of total assets of the Scheme. 4. The Scheme may also invest into deposits of scheduled commercial banks as permitted under the extant Regulations. 5. The Scheme may invest in derivatives up to 100% of the total 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 instruments may include instruments such as interest rate swaps, interest rate futures, credit default swaps, forward rate agreements, etc. Due to market conditions, the AMC may invest beyond the range set out in the asset allocation. 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	Investments in derivatives would be in accordance with the SEBI Regulations. The Scheme shall not invest in foreign securities. 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– 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, debt, REITs and 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 approval, if any, shall not exceed 100% of the net assets of the Scheme. The Scheme may participate in Credit Default Swap (CDS) transactions in line with

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	based on the rating prevalent at the time of investment. The Scheme may participate in securities lending as permitted by SEBI. However, under normal circumstances, the Scheme shall not have exposure of more than 20% of its net assets in securities lending. The Scheme shall not participate in short selling.		deviations, rebalancing will normally be carried out within 30 days. 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.	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. 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, 2019and 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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				All investments shall be made based on the rating prevalent at the time of investment. 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

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				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
Investment Strategy	The Scheme would invest predominantly in corporate debt securities across maturities which are rated AA+ and above for the purpose of achieving the investment objective. The Scheme will largely be exposed to shorter to medium term fixed income yield curve, with focus to increase its accrual via selective and opportunistic exposure to corporate bonds and money market instruments. The security selection would be driven by investment team's view on credit spreads, liquidity and the risk reward assessment of each security. The Scheme would largely maintain high credit quality portfolio. The investment team will carry out in depth credit evaluation of the debt instrument to be invested in. The credit evaluation will include financial position of the issuer, external credit ratings	The Scheme can invest across all classes of fixed income instruments. There will be no cap or floor on maturity, duration or instrument type concentrations. The Fund Manager, depending on the interest rates view has the flexibility to allocate the funds in any fixed income instrument and endeavour to provide yields in line with the current market scenario. The Fund aims to optimise returns for the investors by designing a portfolio, which will dynamically track interest rate movements in the short term by reducing duration in a rising rate environment while increasing duration in a falling interest rate environment. The investment strategy would revolve around structuring the portfolio with an aim to capture positive price movements	The portfolio will be constructed and actively managed to generate returns to match the investment objective and to maintain adequate liquidity to accommodate funds movement. Capital appreciation opportunities could be explored by extending credit and duration exposure subject. The fund management team will take an active view of the interest rate movement supported by quantitative research, to include various parameters of the Indian economy, as well as developments in global markets. Investment views/decisions will be a combination of credit analysis of individual exposures and analysis of macro-economic factors to estimate the direction of interest rates and level of liquidity and will be taken, inter alia, on the basis of the following parameters: 1. Prevailing interest rate scenario	The Scheme can invest across all classes of fixed income instruments. There will be no cap or floor on maturity, duration or instrument type concentrations. The Fund Manager, depending on the interest rates view has the flexibility to allocate the funds in any fixed income instrument and endeavour to provide yields in line with the current market scenario. The investment strategy would revolve around structuring the portfolio with an aim to capture positive price movements and minimise the impact of adverse price movements. Since disciplined investing requires risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. 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

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	opinions, operational metrics, past track record as well as the future prospects of the issuer.	and minimise the impact of adverse price movements. Since disciplined investing requires risk management, the AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process. 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(s)" 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. As per the asset allocation pattern indicated above, for investment in debt securities and money market instruments, the Fund may invest a part of the portfolio in various debt securities issued by corporates and / or state and central government. Such government	2. Returns offered relative to alternative investment opportunities. 3. Quality of the security/instrument (including the financial health of the issuer) 4. Maturity profile of the instrument 5. Liquidity of the security 6. Any other factors considered relevant in the opinion of the fund management team. The fund management team supported by credit research group will generally adopt a bottom-up approach for securities identification to optimise the risk adjusted returns on the diversified portfolio. The credit quality of the portfolio will be maintained and monitored using the in-house research capabilities as well as the inputs from the independent credit rating agencies. Investments in debt instruments carry various risks such as interest rate risk, liquidity risk, default risk, reinvestment risk etc. Whilst such risks cannot be eliminated, they may be minimized by diversification and effective use of hedging. The Scheme may invest in derivatives upto 100% of the total assets of the Scheme for	Scheme(s)" 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. As per the asset allocation pattern indicated above, for investment in debt securities and money market instruments, the Scheme may invest a part of the portfolio in various debt securities 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

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		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	the purpose of hedging and portfolio balancing purposes. Hedging does not mean maximization of returns but only attempts to reduce systemic or market risk that may be inherent in the investment. The Scheme may also invest in permitted offshore instruments for diversification.	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. The Scheme may invest in other Scheme 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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		rates and position the portfolio appropriately to take advantage of the same. The Scheme may invest in other Scheme 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.		
Tier 1 Benchmark Index	NIFTY Short Duration Debt Index A-II	CRISIL Dynamic Bond Fund A-III Index	NIFTY Composite Debt Index A-III	CRISIL Dynamic Bond Fund A-III Index
Plan / Options /Sub-options	• Growth – Regular • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - Regular • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW- Monthly, Quarterly & Half yearly - Reinvestment IDCW –Monthly , Quarterly, & Half yearly	• Growth - Regular • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - Regular • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW- Monthly , Quarterly and Half yearly - Reinvestment IDCW – Fortnightly , Monthly ,	• Growth- Regular • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - Regular • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW –Annual - Reinvestment IDCW –Annual	• Growth- Regular • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - Regular • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW- Monthly, and, Annual - Reinvestment IDCW –, Monthly, , Annual

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		Quarterly and Half yearly		
Loads (Including SIP / STP where applicable)	Entry Load* : Nil **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.*	Entry Load* : Nil **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.*	Entry Load* : Nil **Exit Load :** Within 1 year from the date of allotment or purchase applying First in First Out Basis – 0.5% After 1 year from the date of allotment or Purchase applying First in First Out Basis- 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* .
Liquidity	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 despatch redemption proceeds within 10 Business Days.	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.	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 3 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.
PRC	A II	A III	A III	A III
Segregated Portfolio	Enabled	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

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				SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021)
Definition of Credit Event (for 'Creation of segregated portfolio')	**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 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	**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 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	**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. 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.	**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. 2) 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.

Description	HSBC Corporate Bond Fund Scheme Getting Merged ("Transferor Scheme ")	HSBC Flexi Debt Fund Scheme Getting Merged ("Transferor Scheme ")	L&T Flexi Bond Fund Scheme with which Transferor Scheme is to be Merged (“Transferee Scheme")	HSBC Dynamic Bond Fund (Erstwhile known as L&T Flexi Bond Fund) (“Surviving scheme”)
	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.	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.	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 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. 3) 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. 4) 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. 5) Creation of Segregated Portfolio is optional and is at the discretion of the AMC.

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

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

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 –

<u>Risk related to coupon servicing –</u>

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. 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.