L&T MUTUAL FUND

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Addendum (No. 43 of F.Y. 2022 – 2023)

Changes in the features of L&T Ultra Short Term Fund

Unitholders are hereby informed that in terms of notice dated October 15, 2022 with effect from the end of day on November 25, 2022, L&T Ultra Short Term Fund will be merged with HSBC Ultra Short Duration Fund. Accordingly, the revised provisions of the surviving scheme will be as under:

Key Features: Ultrashort Duration Fund

Description	L&T Ultra Short-Term Fund Scheme Getting Merged ("Transferor Scheme ")	HSBC Ultra Short Duration Fund Scheme with which Transferor Scheme is to be Merged (“Transferee Scheme")	HSBC Ultra Short Duration Fund (“Surviving Scheme”)
Type of scheme	An open ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months. A relatively low interest rate risk and moderate credit risk.	An Open ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months. Relatively low interest rate risk and relatively low credit risk	An Open ended ultra-short-term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months. A relatively low interest rate risk and moderate credit risk.
Investment Objective	To generate reasonable and stable income and provide liquidity to the unit holder. To achieve this objective, the Scheme will invest predominantly in a well-diversified and highly liquid portfolio of money market instruments, government securities and corporate debt. The Scheme will not invest in equities or equity related instruments. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.	To provide liquidity and generate reasonable returns with low volatility through investment in a portfolio comprising of debt & money market instruments. However, there is no assurance that the investment objective of the scheme will be achieved.	To provide liquidity and generate reasonable returns with low volatility through investment in a portfolio comprising of debt & money market instruments. However, there is no assurance that the investment objective of the scheme will be achieved.

<table>
<tr>
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Scheme with which Transferor Scheme is to be Merged (“Transferee Scheme")</th>
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</tr>
<tr>
<td>Asset Allocation</td>
<td>Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:
<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>Minimum</td><td>Maximum</td></tr>
<tr><td>Debt securities*</td><td>0%</td><td>100%</td><td>Low to Medium</td></tr>
<tr><td>Money Market instruments (including cash/call money)^</td><td>0%</td><td>10%</td><td>Low to Medium</td></tr>
</table>
*Investments in 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.</td>
<td>Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:
<table>
<tr><td>Instruments</td><td>Normal Allocation (% of net assets)</td><td>Risk Profile</td></tr>
<tr><td>Debt and Money Market Instruments such that Macaulay duration* of the portfolio is between 3 months to 6 months</td><td>Up to 100%</td><td>Low to Medium</td></tr>
</table>
* The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.
If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not normally exceed 30% of the corpus of the Scheme. No investments shall be made in foreign securitized debt.
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</td>
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* The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.
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 securitised debt, it is the intention of the Investment Manager that such investments will not normally exceed 40% of the net assets of the Scheme.
The Scheme shall under normal circumstances for the purpose of hedging and portfolio balancing</td>
</tr>
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Description	L&T Ultra Short-Term Fund Scheme Getting Merged ("Transferor Scheme ")	HSBC Ultra Short Duration Fund Scheme with which Transferor Scheme is to be Merged ("Transferee Scheme")	HSBC Ultra Short Duration Fund ("Surviving Scheme")
	^Money market instruments would include certificate of deposits, commercial papers, T-bills, repo, reverse repos and TREP, bill rediscounting, bills of exchange / promissory notes and standby letter of credit (SBLC) backed commercial papers and government securities with unexpired maturity of 1 year. The Scheme can invest up to 100% in money market instruments, however this is not a liquid scheme, and the Fund Manager shall have the liberty to invest in securities having maturity of more than 91 days. The Macaulay duration of the scheme would be maintained between 3 to 6 months. 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. 1. The Scheme may also enter into "Repo", "Stock Lending". 2. The Scheme may invest in securitized debt upto 50% of its total assets. 3. The scheme will take exposure in repos of corporate bonds up to 10% and Foreign Securities up to 25% of total assets of the Scheme 4. 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 5. The Scheme may also invest into deposits of	SEBI/RBI from time to time). Investments in derivatives would be in accordance with the SEBI Regulations. The cumulative gross exposure through debt & money market instruments and derivative positions shall not exceed 100% of the net assets of the Scheme. The Scheme may participate in securities lending as permitted under the Regulations.	purposes, will 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 Scheme may engage in short selling and securities lending.. The Scheme may also take exposure to stock lending up to 20% of net 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. Pending deployment of funds, the Scheme may invest them into deposits of scheduled commercial banks as permitted under the extant Regulations. The Scheme may take exposure in repos of corporate bonds up to 10% of total assets of the Scheme. The Scheme will not invest in foreign securities and credit default swaps. The cumulative gross exposure through debt & money market instruments and derivative positions and all the securities permitted by SEBI, shall not exceed 100% of the net assets of the Scheme. All investments shall be Subject to compliance with 'Restrictions on Investment in debt

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	scheduled commercial banks as permitted under the extant Regulations. 6. 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. The 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 deviations, rebalancing will normally be carried out within 30 days		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. 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. 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

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			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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L&T Financial Services
Mutual Fund

Description	L&T Ultra Short-Term Fund Scheme Getting Merged ("Transferor Scheme ")	HSBC Ultra Short Duration Fund Scheme with which Transferor Scheme is to be Merged ("Transferee Scheme")	HSBC Ultra Short Duration Fund ("Surviving Scheme")
Investment Strategy	In line with the investment objective, the investments are being made in the fixed income securities including money market instruments with low to moderate risk. Under normal circumstances, the Macaulay duration of the scheme would be maintained between 3 to 6 months or such other duration as specified by SEBI from time to time. It may be understood that there is a trade-off between risk and return in investments. The return on a security usually increases with an increase in risk. Given the trade-off, the priority of the Scheme is to minimize the risk, even while trying to achieve the maximum returns. All investment made will be governed by the SEBI guidelines, as amended from time to time. The Benchmark will be NIFTY Ultra Short Duration Debt Index.	The Macaulay duration of the portfolio will be 3-6 months and within this range the duration management would be largely dependent on investment team's view rates, yield curve, liquidity, etc. Given the 3-6 months portfolio duration requirement, the Fund would have substantial exposure to money market instruments such as Bank Certificates of Deposit (CDs) and Commercial Papers (CPs). The Fund would largely maintain high credit quality portfolio of securities with investment predominantly in securities that have highest short-term credit quality rating. The security selection would be driven by investment team's view credit spreads, liquidity and the risk reward assessment of each security.	The Macaulay duration of the portfolio will be 3-6 months and within this range the duration management would be largely dependent on investment team's view rates, yield curve, liquidity, etc. Given the 3-6 months portfolio duration requirement, the Fund would have substantial exposure to money market instruments such as Bank Certificates of Deposit (CDs) and Commercial Papers (CPs). The Fund would largely maintain high credit quality portfolio of securities with investment predominantly in securities that have highest short-term credit quality rating. The security selection would be driven by investment team's view credit spreads, liquidity and the risk reward assessment of each security.
Tier 1 Benchmark Index	NIFTY Ultra Short Duration Debt Index B-I	CRISIL Ultra Short Duration Fund A-I Index	CRISIL Ultra Short Duration Fund B-I 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 –Weekly, Monthly & Semi Annual - Reinvestment IDCW – Daily, Weekly, Monthly & Semi Annual	• Growth • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW- Monthly - Reinvestment IDCW – Daily , Weekly, Monthly	• Growth • Growth – Direct • Income Distribution cum Capital Withdrawal Option (IDCW) - • Income Distribution cum Capital Withdrawal Option (IDCW) – Direct - Payout of IDCW-, Monthly & Reinvestment IDCW – Daily , Weekly, Monthly

Description	**L&T Ultra Short-Term Fund** **Scheme Getting Merged ("Transferor Scheme ")**	**HSBC Ultra Short Duration Fund** **Scheme with which Transferor Scheme is to be Merged (“Transferee Scheme")**	**HSBC Ultra Short Duration Fund** **(“Surviving Scheme”)**
Loads (Including SIP / STP where applicable)	Entry Load* : Nil **Exit Load : Nil**	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.*
Liquidity	Within 10 Business Days of the receipt of the valid redemption request at the Investor Service Centers/Official Points of Acceptance.	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.	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.
PRC	BI	AI	BI
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	**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	**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	**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

Description	**L&T Ultra Short-Term Fund** **Scheme Getting Merged ("Transferor Scheme ")**	**HSBC Ultra Short Duration Fund** **Scheme with which Transferor Scheme is to be Merged ("Transferee Scheme")**	**HSBC Ultra Short Duration Fund** **("Surviving Scheme")**
portfolio')	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. 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.	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 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.	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. 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

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			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 to 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 –

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 to 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.