



## Addendum to the Scheme Information Document of Franklin India Dynamic PE Ratio Fund of Funds

Franklin Templeton Mutual Fund proposes to change certain scheme features of Franklin India Dynamic PE Ratio Fund of Funds (the Scheme) effective October 21, 2019.

Given below are the changes in the features of the Scheme:

Particulars	Current features	Proposed features																																																																					
<b>Name of Scheme</b>	Franklin India Dynamic PE Ratio Fund of Funds (FIDPEF)	Franklin India Dynamic Asset Allocation Fund of Funds (FIDAAF)																																																																					
<b>Investment Objective</b>	To provide long-term capital appreciation with relatively lower volatility through a dynamically balanced portfolio of equity and income funds. The equity allocation (i.e. the allocation to the diversified equity fund) will be determined based on the month-end weighted average PE ratio of the Nifty 50 index (NSE Nifty).	To provide long-term capital appreciation with relatively lower volatility through a dynamically balanced portfolio of equity and income funds. The equity allocation (i.e. the allocation to the diversified equity fund) will be determined based on the month-end weighted average P/E and P/B ratios of the Nifty 500 Index.																																																																					
<b>Asset Allocation</b>	<p>FIDPEF shall primarily allocate its equity component in Franklin India Bluechip Fund (FIBCF). In case the allocation of FIDPEF reaches 20% of the corpus of FIBCF, then FIDPEF shall allocate its equity component in Franklin India Equity Fund (FIEF).</p> <p>In case the allocation of FIDPEF reaches 20% of the corpus of both FIBCF and FIEF, then fresh subscription/switches into FIDPEF would be suspended.</p> <p>FIDPEF shall primarily allocate its debt component in Franklin India Short Term Income Plan (FISTIP). In case the allocation of FIDPEF reaches 20% of the corpus of FISTIP, then FIDPEF shall allocate its debt component in Franklin India Income Opportunities Fund (FIIOF).</p> <p>In case the allocation of FIDPEF reaches 20% of the corpus of both FISTIP and FIIOF, then fresh subscription/switches into FIDPEF would be suspended.</p> <p>NOTE: Fresh subscription/switches into FIDPEF would be reopened subsequent to exposure of FIDPEF falling less than 20% of the corpus of anyone of the underlying debt scheme and anyone of the underlying equity scheme. Under normal market circumstances, the investment range would be as follows: The equity allocation (i.e. the allocation to underlying equity funds) will be determined based on the month-end weighted average PE ratio of the Nifty 50 Index (NSE Nifty). The portfolio will be rebalanced in the first week of the following month. The various PE ratio bands and the respective equity and debt allocation proposed under normal circumstances, are given below:</p> <table border="1"> <thead> <tr> <th>If weighted average PE ratio of NSE Nifty falls in this band...</th> <th>...the equity component will be... (%)</th> <th>...and the debt component will be ... (%)</th> </tr> </thead> <tbody> <tr> <td>Up to 12</td> <td>90 – 100</td> <td>0 – 10</td> </tr> <tr> <td>12-16</td> <td>70 – 90</td> <td>10 – 30</td> </tr> <tr> <td>16-20</td> <td>50 – 70</td> <td>30 – 50</td> </tr> <tr> <td>20-24</td> <td>30 – 50</td> <td>50 – 70</td> </tr> <tr> <td>24-28</td> <td>10 – 30</td> <td>70 – 90</td> </tr> <tr> <td>Above 28</td> <td>0 – 10</td> <td>90 – 100</td> </tr> </tbody> </table> <p>The Trustee reserves the right to change the PE ratio band, or use any other criteria for determining the equity/debt allocation if the NSE Nifty Index is either suspended or becomes irrelevant.</p> <p>For the detailed Investment Objectives and Asset Allocation Pattern of Franklin India Bluechip Fund (FIBCF), Franklin India Equity Fund (FIEF), Franklin India Short Term Income Plan (FISTIP) and Franklin India Income Opportunities Fund (FIIOF), please refer to the Scheme Information Documents of the respective schemes.</p> <p>Calculation of PE ratio The Price to Earnings Ratio (PE ratio) will be obtained from a reputed agency such as IISL or an internationally recognized brokerage house. It will be the weighted average PE ratio of the 50 stocks that constitute the NSE Nifty Index. The Price will reflect the closing market price on the NSE for that day. The undiluted Earnings Per Share will reflect the trailing earnings of the most recent four quarters of each of the companies, for which information is available. Depending on the band in which the above computed monthly PE ratio falls, the asset allocation will be rebalanced as per the table above during the first week of the following month. Conditions under which the above table may be varied The PE ratio band and the corresponding asset allocation may be varied under the following circumstances:</p> <ul style="list-style-type: none"> <li>if there is a structural change in the economy - for instance, if the projected growth of the economy experiences a fundamental alteration. This is because the PE ratio has to be viewed in the context of the economy's growth projections</li> <li>if the economy transitions into a different interest rate regime, as the PE ratio is closely intertwined with the underlying interest rate structure prevailing in the economy</li> <li>if accounting standards change and/or new ways of reporting earnings arise, as this could then result in a one-time, fundamental shift in the PE ratios</li> <li>when the Trustees believe that special and unanticipated circumstances arise which necessitate varying the table in the interest of investors</li> </ul> <p>As this is a fundamental attribute, any changes in the above table will be informed to unitholders. The fund managers will follow a passive investment strategy taking defensive postures depending on opportunities available at various points in time based on the month-end weighted average PE ratio of the Nifty 50 Index. On defensive considerations, the scheme may invest in approved money market instruments and Fixed Deposits of Scheduled Banks to protect the interest of the investors in the scheme. The asset allocation pattern described above may alter from time to time on a short-term basis on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors and would, in such cases, shall be rebalanced within 30 days from date of deviation. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed.</p>	If weighted average PE ratio of NSE Nifty falls in this band...	...the equity component will be... (%)	...and the debt component will be ... (%)	Up to 12	90 – 100	0 – 10	12-16	70 – 90	10 – 30	16-20	50 – 70	30 – 50	20-24	30 – 50	50 – 70	24-28	10 – 30	70 – 90	Above 28	0 – 10	90 – 100	<p>FIDAAF shall primarily allocate its equity component in Franklin India Equity Fund (FIEF). In case the allocation of FIDAAF reaches 20% of the corpus of FIEF, then FIDAAF shall allocate its equity component in Franklin India Bluechip Fund (FIBCF).</p> <p>In case the allocation of FIDAAF reaches 20% of the corpus of both FIEF and FIBCF, then fresh subscription/switches into FIDAAF would be suspended.</p> <p>FIDAAF shall primarily allocate its debt component in Franklin India Short Term Income Plan (FISTIP). In case the allocation of FIDAAF reaches 20% of the corpus of FISTIP, then FIDAAF shall allocate its debt component in Franklin India Low Duration Fund (FILDF).</p> <p>In case the allocation of FIDAAF reaches 20% of the corpus of both FISTIP and FILDF, then fresh subscription/switches into FIDAAF would be suspended.</p> <p>NOTE: Fresh subscription/switches into FIDAAF would be reopened subsequent to exposure of FIDAAF falling to less than 20% of the corpus of anyone of the underlying debt schemes and any one of the underlying equity schemes. The equity allocation (i.e. the allocation to underlying equity funds) will be determined based on the month-end weighted average P/E ratio and P/B ratio of the Nifty 500 Index, combined in the weightage of 50:50 ratio. As per the ratio bands, the corresponding equity allocation will be identified for both P/E and P/B. These allocations will be accorded 50% weightage each and added to arrive at the final equity allocation for the month. The portfolio will be rebalanced in the first week of the following month. Under normal market circumstances, the investment range would be as follows:</p> <table border="1"> <thead> <tr> <th>Instruments</th> <th>Risk Profile</th> <th>As % of Net Assets (Min. – Max.)*</th> </tr> </thead> <tbody> <tr> <td>Units of Franklin India Equity Fund (FIEF), Franklin India Bluechip Fund (FIBCF)</td> <td>High</td> <td>20% - 85%</td> </tr> <tr> <td>Units of Franklin India Short Term Income Plan (FISTIP), Franklin India Low Duration Fund (FILDF)</td> <td>Low to Medium</td> <td>15 – 80%</td> </tr> </tbody> </table> <p>*Minimum 95% of total assets shall be invested in underlying funds The various P/E ratio and P/B ratio bands and the respective equity and debt allocation proposed under normal circumstances, are given below: <b>Price to Equity band-based allocation:</b></p> <table border="1"> <thead> <tr> <th>If weighted average PE ratio of Nifty 500 Index falls in this band...</th> <th>...the equity component will be... (%)</th> <th>...and the debt component will be ... 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(%)</th> </tr> </thead> <tbody> <tr> <td>Upto 2</td> <td>80-85</td> <td>15-20</td> </tr> <tr> <td>2 – 3</td> <td>63-80</td> <td>20-37</td> </tr> <tr> <td>3 – 4</td> <td>47-63</td> <td>37-53</td> </tr> <tr> <td>4 – 5</td> <td>30-47</td> <td>53-70</td> </tr> <tr> <td>Above 5</td> <td>20-30</td> <td>70-80</td> </tr> </tbody> </table> <p>The Trustee reserves the right to change the P/E ratio and P/B ratio bands or use any other criteria for determining the equity/debt allocation if the Nifty 500 Index is either suspended or becomes irrelevant. For the detailed Investment Objectives and Asset Allocation Pattern of Franklin India Equity Fund (FIEF), Franklin India Bluechip Fund (FIBCF), Franklin India Short Term Income Plan (FISTIP) and Franklin India Low Duration Fund (FILDF), please refer to the Scheme information Documents of the respective schemes. Calculation of P/E and P/B ratios: The Price to Earnings Ratio (P/E ratio) and Price to Book Value Ratio (P/B ratio) for Nifty 500 Index will be obtained from renowned sources such as Bloomberg or a reputed agency such as IISL or an internationally recognized brokerage house, computed using well accepted methods. Data from the most recent reporting period (quarterly/ semi-annual/ annual) will be used in the calculation. In exceptional circumstances and for reasons recorded in writing, the AMC reserves the right to recalculate or make necessary adjustments to P/E and P/B ratio provided by external vendors. The corresponding equity allocation for the respective P/E ratio band and P/B ratio band will be combined in the weightage of 50:50 to arrive at the final equity allocation for the month. The asset allocation will be rebalanced during the first week of the following month. Illustration of Asset allocation using P/E and P/B bands: If Nifty 500 Index weighted average P/E as on 30th April stands at 28x, the corresponding equity allocation as per the band will be, say, 30%. If Nifty 500 Index weighted average P/B as on 30th April stands at 2.7x, the corresponding equity allocation as per the band will be, say, 72%. 50% weight will be applied to 30% (P/E based allocation) and 50% weight to 72% (P/B based allocation) to arrive at a combined weighted average equity allocation of 51%. Debt allocation will constitute the balance of 49%. On defensive considerations, the scheme may invest in approved money market instruments and Fixed Deposits of Scheduled Banks to protect the interest of the investors in the scheme. The asset allocation pattern described above may alter from time to time on a short-term basis on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors and, in such cases, shall be rebalanced within 30 days from date of deviation. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed.</p>	Instruments	Risk Profile	As % of Net Assets (Min. – Max.)*	Units of Franklin India Equity Fund (FIEF), Franklin India Bluechip Fund (FIBCF)	High	20% - 85%	Units of Franklin India Short Term Income Plan (FISTIP), Franklin India Low Duration Fund (FILDF)	Low to Medium	15 – 80%	If weighted average PE ratio of Nifty 500 Index falls in this band...	...the equity component will be... (%)	...and the debt component will be ... (%)	Upto 12	80-85	15-20	12 – 16	67.5-80	20-32.5	16 – 20	55-67.5	32.5-45	20 – 24	42.5-55	45-57.5	24 – 28	30-42.5	57.5-70	Above 28	20-30	70-80	If weighted average PB ratio of the Nifty 500 Index falls in this band...	...the equity component will be... (%)	...and the debt component will be ... (%)	Upto 2	80-85	15-20	2 – 3	63-80	20-37	3 – 4	47-63	37-53	4 – 5	30-47	53-70	Above 5	20-30	70-80
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<b>Investment Strategy</b>	The equity allocation (i.e. the allocation to underlying equity funds) will be determined based on the month-end weighted average PE ratio of the Nifty 50 index (NSE Nifty). The CIO – Equity will decide the equity component based on the month-end weighted average PE ratio of the NSE Nifty. The portfolio will be rebalanced in the first week of the following month.	The equity allocation (i.e. the allocation to underlying equity funds) will be determined based on the month-end weighted average P/E ratio and P/B ratio of the Nifty 500 Index. The fund manager will decide the equity component based on the month-end weighted average P/E and P/B ratios of the Nifty 500 Index. The portfolio will be rebalanced in the first week of the following month.																																																																					
<b>Portfolio Turnover</b>	The portfolio turnover will be confined to rebalancing of portfolio on account of new subscriptions, redemptions, dividend payouts and change in the weighted average PE ratio of the Nifty 50 Index. Due to the monthly rebalancing feature of the scheme, the portfolio turnover may be high in volatile market conditions.	The portfolio turnover will be confined to rebalancing of portfolio on account of new subscriptions, redemptions, dividend payouts and change in the month end weighted average P/E and P/B ratios of the Nifty 500 Index. Due to the monthly rebalancing feature of the scheme, the portfolio turnover may be high in volatile market conditions.																																																																					

The aforesaid changes in scheme features constitute change in fundamental attributes of the Scheme. In terms of prevailing regulatory requirements, investors in the Scheme are given an option to exit at the prevailing Net Asset Value (NAV) without any exit load, in case they do not wish to continue in this Scheme in view of the change in the fundamental attributes. The period of this no load exit offer is from September 19, 2019 to October 18, 2019 (both days inclusive). The redemption request for this purpose may be submitted at any of Official Points of Acceptance of Transactions (OPAT) of Franklin Templeton Mutual Fund, and the NAV applicable will be based on the day and time the application is received at any of the designated OPAT. Unitholders who do not exercise the exit option on or before 3.00 pm on October 18, 2019 would be deemed to have consented to the proposed change.

However, the exit option without load will not be available to investments in the Scheme made on or after September 19, 2019. Unitholders who have pledged their units will need to procure a release of their pledge prior to submitting their redemption request.

The sale of the units of the Scheme (including switch-in) will be suspended w.e.f. October 14, 2019 to October 18, 2019, except in respect of SIP, STP and DTP.

The changes in scheme features have been approved by the Board of Directors of the Franklin Templeton Asset Management (India) Pvt. Ltd. (investment manager for schemes of Franklin Templeton Mutual Fund) and Franklin Templeton Trustee Services Pvt. Ltd. (the Trustee to the schemes of Franklin Templeton Mutual Fund).

All the other terms and conditions of the Scheme Information Document of the Scheme, read with the addenda issued from time to time, will remain unchanged.

This addendum forms an integral part of the Scheme Information Document and Key Information Memorandum issued for the Scheme, read with the Addenda.

This addendum is dated September 13, 2019.

For **Franklin Templeton Asset Management (India) Pvt. Ltd.**  
(Investment Manager of Franklin Templeton Mutual Fund)

Sd/-

**Sanjay Sapre**  
President