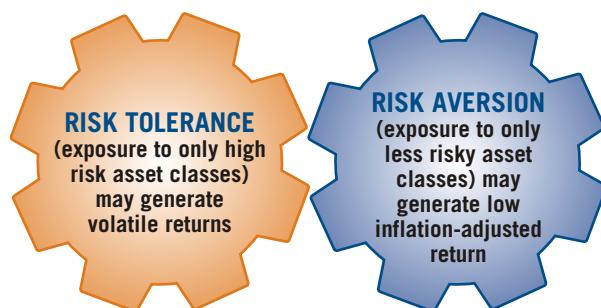


## BACKGROUND

Diversification across different asset classes is an important step in **mitigating risk** as well as **improving returns** as market may throw diverse opportunities at different time periods. This diversification should be able to dynamically respond to various economic, valuation and sentiment parameters. This imperative is widely understood but difficult to execute due to various reasons.

## WINNERS KEEP ROTATING

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	10 year CAGR (as on Dec'13)
Equity 11%	Equity 36%	Equity 40%	Equity 55%	Gold 28%	Equity 76%	Gold 23%	Gold 33%	Equity 28%	CPI 10%	Gold 15%
Cash 4%	Gold 21%	Gold 22%	Gold 17%	Debt 28%	Gold 22%	Equity 18%	CPI 9%	Debt 11%	Cash 9%	Equity 13%
Gold 0%	CPI 5%	CPI 7%	Cash 8%	CPI 10%	CPI 13%	CPI 8%	Cash 8%	CPI 11%	Equity 7%	CPI 8%
CPI 4%	Cash 5%	Cash 6%	Debt 6%	Cash 8%	Cash 5%	Cash 5%	Debt 2%	Gold 9%	Debt -1%	Cash 7%
Debt -5%	Debt 4%	Debt 5%	CPI 6%	Equity -52%	Debt -9%	Debt 3%	Equity -25%	Cash 9%	Gold -18%	Debt 4%



**Past performance may or may not be sustained in the future.** Returns are absolute for calendar year and are compounded annualised for period greater than 1 year.

Source: NSE, Crisil. Data from 1-Jan-2004 to 31-Dec-2013. Equity is represented by CNX Nifty, Debt by Crisil 10-Year Gilt Index, Cash by Crisil Liquid Fund Index and Gold by Gold prices per ounce in INR as per Bloomberg. CPI represents Consumer Price Index inflation (new Index using base year 2004 - 05) and is considered to show the inflation for the corresponding year.

## DIVERSIFICATION INTO MULTIPLE ASSETS IS NECESSARY

	Equity	Debt	Gold	Cash
Equity	1			
Debt	0.07	1		
Gold	-0.02	-0.05	1	
Cash	0.06	0.13	0.03	1

Correlation is calculated on daily returns. Correlation ranges from -1 to 1, with -1 indicating that the returns move perfectly opposite to one another, 0 indicating no relationship, and 1 indicating that the asset classes react exactly the same. The aforesaid illustration should not be construed as investment advice. Investors should consult their investment advisor and construct their portfolios based on their risk appetite, time horizon, investment goals, etc.

Source: NSE, Crisil. Data from 31-Aug-2004 to 28-Aug-2014. Equity is represented by CNX Nifty, Debt by Crisil 10-Year Gilt Index, Cash by Crisil Liquid Fund Index and Gold by Gold prices per ounce as per Bloomberg.

The table shows Low/Negative correlation between different asset classes which indicates:

- **The asset classes may not exhibit similar movements:** A fall in the value of one asset class might be accompanied by the rise in value of other asset class.
- **Exposure to multiple asset classes aids diversification:** A portfolio which consists of multiple asset classes may sail through all kinds of market cycles. Low correlation may provide hedge against sharp downtrends in one asset class.

***A proper asset allocation into various less co-related asset classes is a must to reduce the volatility and generate better risk-adjusted returns over long term.***

\*Please refer page 4 for Product Label.



## SO WHAT IS THE SOLUTION?

### 1. DO IT YOURSELF! WHAT ARE THE CHALLENGES?

<b>HOW MUCH TO ALLOCATE TO AN ASSET CLASS?</b>	It is important to understand what factors need to be looked at in order to decide allocation to an asset class. Further how one should change / review the asset allocation over time, also needs to be considered.
<b>EMOTIONAL BIAS</b>	There are times when despite fundamental indicators suggesting aversion/affinity to an asset class, investor sentiment may prevent necessary action.
<b>KEEPING A TRACK</b>	Regular monitoring of multi asset classes can be challenging.
<b>COSTLY AFFAIR – TAXATION*</b>	In case one rebalances his/her portfolio on a regular basis, the transactions may attract short term capital gains tax liability (<=12 months for equity and <= 36 months for debt).
<b>TRANSACTIONAL HASSLES</b>	It is very difficult to invest in multiple asset classes through multiple funds/instruments and rebalance it regularly as tracking, recording and executing the transactions may be very time-consuming.

\* Taxation details mentioned are as per the existing tax laws and subject to change from time to time.

### 2. A FUND WHICH OFFERS EXPOSURE TO MULTIPLE ASSETS

Presenting **Franklin India Multi-Asset Solution Fund: 'Solution-oriented' asset allocation approach**

A. An active approach to rebalance exposures to multiple asset classes such as Equity, Debt, Gold and Cash based on the proprietary model



#### STRATEGIC ALLOCATION

- Forms foundation of the total portfolio & **remains constant** throughout the duration of the portfolio
- Ensures **participation in multiple asset classes** across time periods
- Takes into account **long term trends**
- Primary allocation to equities & fixed income help to support the **goal of maximum portfolio risk-adjusted return**
- Exposure to gold provides **diversification** as it has relatively low correlation to both equities and fixed income

#### TACTICAL ALLOCATION

- Tactical asset allocation shifts depending on the '**state**' of individual indicators
- Takes into account the current **economic, valuation and sentiment/momentum** indicators
- **Weightages** to various indicators are based on the **relevance and importance across market cycles**

#### TACTICAL ALLOCATION INDICATORS\*\*

ECONOMIC	VALUATION	SENTIMENT/MOMENTUM
INDIA OECD COMPOSITE LEADING INDICATORS	DIFFERENCE BETWEEN EARNINGS YIELD & BOND YIELD	DOLLAR VS DEVELOPED CURRENCIES INDEX
INDIA INDEX OF INDUSTRIAL PRODUCTION	P/E RATIO	ASIAN CURRENCIES VS DOLLAR INDEX

\*\* The fund manager reserves the right to change the above mentioned indicators or use any other criteria to use suitable indicators in case any of the above factors are either not available or modified or becomes irrelevant



## B. Fund of Funds style of investing

The fund is a fund of funds investing into existing schemes and ETFs which have a long term performance track record. It offers a solution for asset allocation across such funds. The fund has set broad investment range for allocation to various asset classes. It enables the fund to change asset allocation exposures dynamically, wherein the asset allocation decisions are based on the scientific approach (a proprietary model).

Instruments	Risk Profile	As % of Net Assets (Min. – Max.)
Equity allocation in units of Franklin India Bluechip Fund (FIBCF) / Franklin India Prima Plus (FIPP)*	Medium to High	10% - 75%
Debt allocation in units of Franklin India Short Term Income Plan (FISTIP) / Franklin India Income Opportunities Fund (FIIOF) **	Low to Medium	10% - 75%
Gold allocation into Gold ETF(s)	Low to Medium	1% - 50%
Cash allocation in units of Franklin India Treasury Management Account (FITMA)***	Low	0% - 50%
Cash and Money Market Instruments	Low to Medium	0% - 5%

\*In case the allocation of FIMAS reaches 20% of the corpus of both FIBCF and FIPP, then fresh subscription/switches into FIMAS would be suspended. \*\*In case the allocation of FIMAS reaches 20% of the corpus of both FISTIP and FIIOF, then fresh subscription/switches into FIMAS would be suspended. \*\*\*In case the allocation of FIMAS reaches 20% of the corpus of FITMA, then fresh subscription/switches into FIMAS would be suspended.

### Note:

- Fresh subscription/switches into FIMAS would be reopened subsequent to exposure of FIMAS falling less than 20% of the corpus of anyone of the underlying equity scheme and anyone of the underlying debt scheme and FITMA.
- In case the Fund Manager decides to change the investment allocations between the underlying schemes, the redemptions from the underlying scheme(s) (excluding Gold ETFs) on account of such re-allocation of investments will be limited to 5% of the net assets of the underlying scheme(s) on a single day.

## C. Liquidity

Being an open-ended fund, it offers liquidity on all business days (subject to exit load as applicable). However investors are suggested to invest for long term in line with the investment objectives.

## HISTORICAL ASSET ALLOCATION TREND OF PORTFOLIO – AN ILLUSTRATION

The following allocation has been generated by proprietary model which would be used to decide allocation of FIMAS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 YTD (up to August)
Equity	Average Allocation	43%	35%	41%	42%	31%	36%	38%	32%	37%	35%	33%
	Minimum Allocation	36%	28%	31%	27%	27%	30%	31%	28%	31%	27%	30%
	Maximum Allocation	50%	46%	49%	49%	43%	43%	45%	46%	42%	42%	41%
Debt	Average Allocation	35%	40%	39%	39%	43%	41%	37%	43%	39%	40%	45%
	Minimum Allocation	34%	34%	27%	35%	27%	32%	26%	38%	33%	32%	44%
	Maximum Allocation	39%	47%	44%	44%	47%	48%	46%	47%	47%	44%	48%
Gold	Average Allocation	19%	21%	19%	16%	18%	22%	21%	21%	23%	23%	22%
	Minimum Allocation	11%	9%	8%	9%	8%	11%	8%	8%	15%	15%	15%
	Maximum Allocation	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Cash	Average Allocation	3%	4%	1%	3%	8%	0%	4%	3%	1%	2%	0%
	Minimum Allocation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Maximum Allocation	4%	11%	8%	11%	11%	0%	11%	11%	4%	4%	0%

- **EQUITY:** Equity allocation would have been actively changed with an objective to reduce the impact of volatility in equity markets.
- **DEBT:** Debt allocation changes would have been primarily in inverse direction to the changes in equity allocation (due to low co-relation).
- **GOLD:** Gold allocation would have been able to provide participation in rupee depreciation over a long period. The exposure would have moved in broad range.
- **CASH:** Cash allocation would have provided a short term parking during equity market falls.

### Past performance may or may not be sustained in the future.

Source: Internal. Please note that the above table depicts the historical asset allocation of the model portfolio (rebalanced monthly), on a yearly basis as an illustration. Average Allocation, Minimum Allocation and Maximum Allocation are for calendar years and actual allocation to asset classes in a particular month would have varied. There is no assurance that the model will be able to meet its asset allocation objectives in future.



## FUND FACTS

### NAME OF THE SCHEME

Franklin India Multi-Asset Solution Fund (FIMAS)

### NATURE OF THE SCHEME

An Open-end fund of funds scheme

**NFO OPENS:** 7 November 2014

**NFO CLOSURES:** 21 November 2014

**ALLOTMENT DATE:** 28 November 2014

### DATE OF RE-OPENING FOR ONGOING SALE AND REPURCHASE

1 December 2014

### INVESTMENT OBJECTIVE

The Fund seeks to achieve capital appreciation and diversification through a mix of strategic and tactical allocation to various asset classes such as equity, debt, gold and cash by investing in funds investing in these asset classes.

However, there is no assurance or guarantee that the objective of the scheme will be achieved.

### UNDERLYING EQUITY SCHEMES

Franklin India Bluechip Fund  
Franklin India Prima Plus

### UNDERLYING FIXED INCOME SCHEMES

Franklin India Short Term Income plan  
Franklin India Income Opportunities Fund

### UNDERLYING LIQUID SCHEME

Franklin India Treasury Management Account

### PLANS & OPTIONS

- Growth Plan • Dividend Plan (with Reinvestment and Payout Facility) • Growth Plan – Direct • Dividend Plan – Direct (with Reinvestment and Payout Facility)

**FUND MANAGER:** Peeyush Mittal

### LOAD STRUCTURE

**Exit Load:** For each purchase of units – 1% if redeemed/switched out within 3 years of allotment

**MINIMUM AMOUNT: Subscription:** Fresh Purchase - Rs.5,000/-. Additional Purchase - Rs.1,000/-. **Redemption:** Rs.1,000/- or 'All Units' if the account balance is less than Rs.1,000/-.

The amount of subscription and redemption in excess of the minimum amount specified above should be any amount in multiple of Re. 1/-.

**BENCHMARK:** CRISIL Balanced Fund Index

## FIMAS OFFERS THE 'SOLUTION' BASED APPROACH TO INVESTING WHICH HAS:

### ALLOCATION TO MULTIPLE ASSET CLASSES

The fund **dynamically changes its allocation** to different asset classes on **monthly basis**. Hence investor does not need to be concerned regarding 'where to allocate' and 'how much to allocate'.

### NO EMOTIONAL BIAS

A **proprietary model** based asset allocation ensures that emotional biases do not override the fundamental/technical indicators

### AUTOMATIC REBALANCING

**Rebalancing** of exposures into various asset classes **happens at the fund level**. Thus, **no separate transactions** are required **at the investor level**.

### TAX EFFICIENCY\*

'Rebalancing' by fund **does not increase investor's tax liability** (other than the normal tax liability)

### HASSLE FREE TRANSACTION

'One solution' for investment in multiple asset classes

\* Taxation details mentioned are as per the existing tax laws and subject to change from time to time.

### PRODUCT LABEL:

This product is suitable for investors who are seeking\*

- Long term capital appreciation
- A Fund of Funds investing in diversified asset classes through a mix of strategic and tactical allocation

(BROWN)  
HIGH RISK\*\*

\* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

\*\* Note: Risk may be represented as:

#### (BLUE)

Investors understand that their principal will be at low risk


#### (YELLOW)


Investors understand that their principal will be at medium risk

#### (BROWN)

Investors understand that their principal will be at high risk

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