



FRANKLIN TEMPLETON

LETTER FROM OUR PRESIDENT TO INVESTORS.

Subject: Clarification on media reports about our funds

Dear Investor,

I am personally writing to you today, to address some immediate concerns created by some well-intentioned but factually incorrect reporting across various media channels. Let me provide some clarifications point by point:

1: Reported: Winding up of the schemes means that my money is lost

Fact: This is factually incorrect. We have communicated the reasons and market circumstances that led us to take this extremely difficult decision which was taken purely to protect value for our investors. As the schemes liquidate portfolio holdings subject to market conditions, receive coupon payments and scheduled maturities, the Trustees will start to return monies to investors at the earliest instance in compliance with regulation 41(2)(b) of SEBI (Mutual Fund) Regulations 1996.

2: Reported: The schemes invested in risky, unrated papers

Fact: The schemes followed a consistent investment strategy of investing in investment grade papers across the credit rating spectrum, that is to say, from AAA through to A rated papers. This strategy served the schemes and its investors well till recent times. The schemes were able to generate significant cash flows even during the last 6 months which were more turbulent times for the credit markets. For example, the schemes were able to generate significant cash from the portfolio holdings, a majority of that from papers rated AA and below.

3: Reported: The liquidity problem is not related to the Covid-19 pandemic

Fact: These schemes followed a consistent strategy of investing across the credit rating spectrum and have done so for many years, and across multiple market cycles. The schemes have been able to manage through these cycles and provide daily liquidity. Many of these schemes have been in existence for more than 10 years with a similar strategy. The current Covid-19 pandemic created a severe market dislocation particularly for the types of investments that these schemes hold, though the issue of lack of risk appetite, reduced volumes and illiquidity for corporate bonds was a broader market issue. The inability of the schemes to meet daily redemptions was a direct result of the market situation created by the COVID-19 pandemic as well as the extended lock-down.

4: Reported: The schemes will not be able to return investor monies for an extended period of time

Fact: Each / scheme has its own maturity profile and in general, shorter duration schemes will be able to return monies to investors faster. The schemes will receive regular coupon payments and maturities. In addition, the schemes will explore all opportunities to monetize the underlying assets in the portfolio, without resorting to any distress sales, such that it can return investor monies at the earliest possible time. It will be the endeavor of the schemes to return these monies well in advance of the maturity dates of the underlying securities.

5: Reported: We should be redeeming our monies from all other Franklin Templeton schemes as these could also be wound up

Fact: The decision to wind up our suite of six yield-oriented schemes was an extremely difficult one and taken only to protect investor interest. It was not a situation in which we hoped to find ourselves. We also recognize this has impacted liquidity for our investors but was necessary in order to preserve value for our unitholders.

Our other fixed income schemes which are open for subscription and redemption, primarily invest in highly liquid securities such as Government Securities, AAA rated bonds or other cash and cash equivalents. These portfolios have the necessary ability to generate liquidity in order to meet redemptions. We have already generated a significant amount of liquidity in these portfolios to meet any redemption requests we may receive.

Our equity schemes remain unaffected and continue to be managed by our experienced and tenured team based in Chennai in line with their investment mandate and fund management philosophy.

6: Reported: Franklin Templeton is winding up its business in India

Fact: Franklin Templeton has been an early and patient investor in India. We have worked to build a long-term business in India over our 25+ year history here. This is also reinforced by the fact that over 33% of our global workforce is based in India. As affirmed by our global CEO, Jenny Johnson, Franklin Templeton's commitment to India remains steadfast. We are committed to doing all we can to return monies in the schemes that are wound up at the earliest to investors, and to regain your trust in our brand.

This extraordinarily difficult decision to close six of our schemes in a category that we helped create, was taken as it was the only viable option to preserve value for our investors in the current unprecedented environment.

I hope this note serves to bring you some comfort regarding your investments with Franklin Templeton, whether in the schemes that are wound up, or in our other schemes that continue to be open for subscriptions and redemptions.

I remain committed to bringing you regular updates to help answer your most urgent and important queries.

In case you need any further assistance, please feel free to call our dedicated helpline at 1-800-258-4255 or 1-800-425-4255 from 8 a.m. to 9 p.m., Monday to Saturday. Alternatively, you can also e-mail us at service@franklintempleton.com. We will be happy to talk to you.

Thank you.

Sincerely,

Sanjay

Sanjay Sapre

President

Franklin Templeton Asset Management (India) Pvt. Ltd.

Disclaimer

The information contained in this communication is not a complete representation of every material fact and is for informational purposes only. Statements/ opinions/recommendations in this communication which contain words or phrases such as “will”, “expect”, “could”, “believe” and similar expressions or variations of such expressions are “forward – looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risk, general economic and political conditions in India and other countries globally, which have an impact on the service and / or investments. There may have been changes in matters which affect the security subsequent to the date of this communication. The AMC, Trustee, their associates, officers or employees or holding companies do not assure or guarantee any return of principle or assurance of income on investments in these schemes. Please read the Scheme Information Document carefully in its entirety prior to making an investment decision and visit our website <http://www.franklintempletonindia.com> for further details.

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