The first rule of compounding: Never interrupt it unnecessarily.
Charlie Munger

August 8, 2026

Dear Investor,

Thirty years is a long time in investing.

Long enough to witness markets at their euphoric highs and their most testing lows. Long enough to see businesses emerge, industries transform, technologies disrupt, and economies reinvent themselves. More importantly, long enough to understand that while markets move in cycles, the principles of successful investing remain remarkably constant.

This year marks a significant milestone for Franklin Templeton in India. As we celebrate 30 years of serving Indian investors, we do so with immense gratitude, humility and conviction. Over the last three decades, we have seen markets rise, fall, recover and reinvent themselves. We have navigated the Asian Financial Crisis, the Global Financial Crisis, the COVID-19 pandemic, periods of elevated inflation, geopolitical uncertainty, and everything in between. Each cycle has reinforced an enduring truth. Good times build businesses. Hard times reveal character. For us, those years have never been about simply navigating markets. They have been about standing by our investors through every market cycle, remaining disciplined when optimism ran high, and remaining confident when uncertainty dominated headlines.

When Franklin Templeton chose India in 1996, it was because we believed in the country's long-term potential. Three decades later, that conviction has only strengthened. While many have left India, we have held on to the same commitment that brought us here nearly 30 years ago.

We chose India in 1996. We continue to choose Bharat in 2026.

Our global investment heritage, built over more than seven decades across international markets, combined with deep local expertise developed over three decades in India, gives us a unique perspective. We understand global capital markets, but equally understand the aspirations of Indian investors, the nuances of local markets, and the importance of investing with patience and discipline.

Markets evolve. Economies change. Technologies redefine industries. But one thing has remained constant. **Our unwavering commitment to helping our investors achieve their long-term financial goals.** As we look ahead, we remain equally committed to expanding investor awareness, strengthening our product offerings, embracing innovation and technology, and continuing to earn the trust that generations of investors have placed in us.

Global Outlook: [1]

- **Resilience has been the key theme for 2026:** Markets and economies have held up well despite geopolitical shocks, policy uncertainty and rising inflation. Global growth remains close to trend, supported by consumer spending, business investment, productivity gains and strong corporate profits.

- **We expect investment opportunities to broaden across global equity markets**, while corporate credit markets may remain stable. Strong earnings in the United States and emerging markets could support a wider set of opportunities across regions and sectors.

- **Tighter monetary policy should keep bond yields high and yield curves flat**, creating opportunities to earn income. We believe that the US high-yield credit, select emerging market debt, especially in Latin America, and municipal bonds for US taxpayers could be favourable market opportunities.

- **Long-term themes remain compelling.** Artificial intelligence (AI) is driving demand for energy, infrastructure and broader economic change; rising investment in defense, national security and energy infrastructure create long-term potential return opportunities. Aging populations will require investment in labor-saving technologies, assisted living and health care innovation.

- **In private markets and alternatives**, secondaries, private credit, real estate and infrastructure offer attractive opportunities.

- **Risk to the view.** Geopolitical conflict, inflation and a stronger central bank response remain key risks for investors to watch in the second half of 2026.

  I am happy to share the latest article, **"The World Didn't Break",** from the Franklin Templeton Institute, authored by Stephen Dover, our Head of Franklin Templeton Institute and Chief Market Strategist. Please click here to read it.

Equity Outlook: [2]

The immediate overhang from the West Asia crisis appears to have moderated, but the associated macro risks have not fully receded. Energy markets remain an important variable for Indian equities, given their transmission into inflation, currency, consumption and corporate profitability. While the sharp decline in crude prices has eased near-term concerns, the second-order impact of the earlier spike could still play out over the next few quarters, particularly through higher input costs and lagged margin pressure across manufacturing and commodity-sensitive sectors.

- Cooling-off of Iran–US tensions in the month of June has helped equity markets refocus on India's growth momentum.
- India's earnings outlook appears more reasonable when viewed over a two-year period, with consensus expectations for FY27–FY28 pointing towards a growth trajectory of around 12–14% CAGR.
- From a sectoral perspective, the market environment appears conducive to selective rotation. Banks are relatively well positioned, supported by reasonable credit growth, a more favourable margin outlook and attractive valuations.
- Export-oriented businesses may also remain favourably placed, particularly where rupee depreciation and potential benefits from free trade agreements provide incremental support. Pharma and other export-heavy sectors could see relative resilience in such an environment.
- Autos, renewables, utilities and related sectors may continue to benefit from current structural and cyclical trends. Autos could benefit from improving consumption trends and replacement demand, while renewables and utility-linked businesses continue to gain from structural investment themes.
- Overall, while macro risks have not fully receded, the combination of more reasonable valuations, gradual earnings recovery and sector-specific opportunities suggests a healthier medium-term outlook for Indian equities.

Fixed income Outlook: [3]

- Domestic fixed income markets witnessed a strong rally during June 2026, with government securities and corporate bond yields softening significantly across the curve, particularly in the 1–10-year segment. The rally was largely driven by RBI measures announced in the June Monetary Policy Committee, which helped ease pressure on the rupee and improved expectations for foreign currency inflows.

- Long-duration debt funds outperformed due to the downward shift in the yield curve, while liquidity conditions remained adequately supported by the RBI despite some tightening during the month. On the flow front, debt markets attracted healthy foreign inflows of around USD 5 billion, partially offsetting continued equity outflows and supporting overall market sentiment.
- We expect the shorter end of the yield curve to remain supported by the FCNR and ECB flows.
- RBI continues to maintain a neutral stance with a dovish bias and may continue to actively manage liquidity.
- While inflation risks from uneven monsoons, food prices, and earlier commodity price shocks remain, the moderation in crude oil prices and limited pass-through from Wholesale Price Index (WPI) to Consumer Price Index (CPI) may help contain inflationary pressures to some extent.

A Shared Milestone

August marks India's **79th Independence Day**, a reminder of how far the nation has come since 1947 and how much further it aspires to go. Independence is not merely a date in history; it is a story of resilience, ambition and collective progress. Over the decades, India has evolved into one of the world's most dynamic economies, powered by entrepreneurship, innovation and the aspirations of over a billion people.

As Franklin Templeton celebrates **30 years in India**, we are proud to have been a part of this incredible India story. For three decades, we have had the privilege of partnering with Indian investors as they built businesses, educated families, planned retirements and pursued their long term financial goals across generations. As India continues its journey towards becoming a developed economy, we remain committed to playing our part in deepening financial participation, promoting investor awareness and helping more Indians achieve their financial aspirations.

On behalf of everyone at Franklin Templeton India, I wish you and your family a **very Happy Independence Day**. May the spirit of freedom continue to inspire confidence, opportunity and prosperity for every Indian.

Looking Ahead

As we begin our next chapter, our purpose remains unchanged: to combine global strength, local expertise, and one unwavering commitment to help our investors navigate whatever lies ahead.

Thank you for placing your trust in us over the past three decades. We remain honoured to be your partner, not only for today's opportunities, but for tomorrow's possibilities. Because while markets will continue to change, one thing will not. We will continue to be your trusted partner for what's ahead.

Thank you for your continued trust and partnership.

As always, you can directly write to me at avisatwalekar@franklintempleton.com with any feedback and questions. I value your questions, and feedback and look forward to the opportunity of providing investment solutions. Your continued trust has been the foundation of our journey in India, and I am thankful for your continuous support.



Avinash Satwalekar
President, Franklin Templeton Asset Management (India) Pvt. Ltd.

Source:

1. 2026 Mid-Year Investment Outlook: The World Didn't Break
2. Bloomberg, RBI, NSE, Ministry of Statistics and Program Implementation (MOSPI), Morgan Stanley
3. Franklin Templeton, Bloomberg, RBI, MOSPI, Ministry of Finance

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Franklin Templeton Mutual Fund (MF/026/96/8)

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