



FRANKLIN TEMPLETON

Subject: An Update on Winding up of 6 Fixed Income Schemes

Dear Investor,

I hope you continue to stay safe and healthy. I am writing to update you on the latest developments on the six fixed income schemes under winding-up.

Schemes continue to receive cash flows:

- From April 24 till July 31, 2020 the schemes have received INR 4,280 crore from maturities, pre-payments, and coupons.
- From July 1 till July 31, 2020 the schemes have received cash flows of INR 1,005 crore from various issuers.
- As on July 31, 2020, while two schemes were already cash positive, the borrowing levels in the other schemes continue to come down steadily. Franklin India Low Duration Fund (FILDF) and Franklin India Credit Risk Fund (FICRF) now have an outstanding borrowing of only 1% and 4% of their AUM respectively.
- These cash flows have been received without the ability to efficiently monetize assets. The schemes will endeavor to accelerate monetization post the successful completion of the e-voting exercise and the Unitholder meet, which can only take place after the completion of the legal process.

As you can see from the above, we continue to make good progress in terms of receiving cash flows and bringing borrowing levels down in these schemes.

Many of you have asked why borrowings should be paid before paying investors. Regulation 41 of SEBI (Mutual Funds) Regulations, 1996 lays out the procedure and manner of winding up of a mutual fund scheme. The regulations require that the proceeds realized, shall be first utilized towards discharge of due liabilities (including borrowings) of the scheme. I would also like to clarify, that AUM of the scheme is shown net of borrowings by the scheme. Repaying the borrowings neither impacts the AUM nor the NAV of the schemes. NAV or AUM represents the net assets of the scheme

after reducing liabilities and expenses. Therefore, repayment of borrowings does not impact AUM or the NAV.

Update on the Future Group:

On July 31, 2020 coupon / part maturity payments were due to be paid by 3 issuers belonging to the Future group, viz., Rivaaz Trade Ventures Pvt Ltd (RTVPL), Nufuture Digital (India) Ltd (NDIL), and Future Ideas Co Ltd (FICL) on various Non-Convertible Debentures (NCDs) issued by them. RTVPL met its payment obligations but FICL and NDIL were unable to meet their payment obligations. Due to default in payment, the securities of FICL and NDIL have been valued at zero, basis AMFI prescribed standard hair cut matrix and interest accrued and due has been fully provided. Securities of RTVPL will continue to be valued at 75%, basis recommended valuation. We wish to reiterate that these valuations only reflect the realizable value and do not indicate any reduction or write-off of the amount repayable by these companies. The impacted schemes include, Franklin India Short Term Income Plan, Franklin India Dynamic Accrual Fund, Franklin India Income Opportunities Fund and Franklin India Credit Risk Fund.

It has been reported in certain sections of media that Reliance Industries Ltd. is in the final stages of negotiations to buy a controlling stake in Future Group's retail business. It was also mentioned that both companies have supposedly agreed on certain terms and conditions and a deal could be announced shortly. Such a deal could potentially benefit all the above issuers held in the scheme portfolios.

Update on Reliance Broadcast:

Franklin India Short Term Income Plan and Franklin India Corporate Debt Fund are invested in 'Reliance Broadcast 9.50% (Series C) 20-Jul-2020' secured NCDs issued by Reliance Broadcast Network Limited (RBNL) having a put option on Reliance Capital. On maturity, the issuer was unable to meet the maturity obligations (including interest). We are in the process of initiating appropriate enforcement action to recover dues from the issuer and other connected parties. The schemes will continuously monitor the developments in RBNL.

Update on cases filed against Franklin Templeton:

I understand that the delay due to various legal cases continues to add to your disappointment and inconvenience and I am truly sorry about this delay. The Hon'ble Karnataka High Court has scheduled the next hearing of cases on the winding up of debt schemes of Franklin Templeton on August 7, 2020.

The e-voting and the unitholders meet continue to remain suspended till we get further directions from the Hon'ble Karnataka High Court and efficient monetization of assets of the schemes and distribution of investment proceeds to the unitholders will be possible only after successful e-voting.

Update on SEBI's audit:

We continue to fully cooperate with and provide all assistance to the auditors. Some of you may have seen certain unsubstantiated rumours and insinuations around the audit completion and findings in the media. I would urge you not to be swayed by such reports which often lack a basis in fact.

As I end this message, I want to re-affirm our commitment to India and our investors. The decision on winding up of the six schemes was taken with the sole objective of safeguarding the interest

of our investors. Our focus is to return the maximum possible value to all investors in the shortest possible time in these unprecedented times, and we continue to make progress in this regard.

We will continue to share progress and updates on matters that are important to you. Thank you once again for your continued patience and co-operation.

In case of any further queries, 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.

Yours Sincerely,

Sanjay Sapre

President

Franklin Templeton Asset Management (India) Pvt. Ltd.

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