



FRANKLIN TEMPLETON

‘A true investor welcomes volatility...’ – Warren Buffet

July 2, 2024

Dear Investor,

The market gyrations in early June from exit polls to actual results to government formation may have caused a few heartburns. However, what the market realised in the end was that the fundamentals of the India growth story remain intact. And one of the best ways to participate in the India growth story is through equity mutual funds.

1. India growth story is playing out in some of the new age themes like digitalisation which includes fintech, food tech, social media, logistics, among others. Some of these are born from India's strong startup ecosystem where India ranks 3rd globally in terms of number of unicorns produced.
2. Many of the companies in these sectors have subsequently listed. An analysis of the total listings that have happened in the past 3 years shows that about 83% of listings were in the small cap space, 14% in the mid cap space and only 3% in the large cap space.
3. High growth opportunities are being created outside the large cap bucket while traditional diversified funds are mostly large cap biased as they track the broader market which has a 70% allocation to large caps and only 30% to small and midcaps (Nifty 500).
4. The multi cap category with a compulsory 50% allocation to the small and mid cap segment has the potential to capture the growth in the sunrise and other emerging sectors.
5. A minimum 25% allocation to large cap captures the market leaders and stable companies which helps to balance the relatively higher volatility of the small and mid cap segment. This is particularly appealing during market downturns, as large-cap stocks tend to be more resilient.

India is at an inflection point which is likely to benefit small and mid cap companies. A Multi cap fund has a minimum 50% exposure to mid and small cap companies, which may prove to be advantageous to investors. A balanced approach to investing across different market capitalizations helps multi cap funds ensure consistent diversification and effective risk management.

Keeping this unique proposition in mind, we are pleased to bring you our latest offering, the **Franklin India Multi Cap Fund – NFO opens on July 8 and runs till July 22, 2024**. You can [click here](#) for more information.

Global Markets Update:

After more than two years of higher inflation and interest rates, global markets are confronting a new set of fixed income opportunities and risks as central banks prepare to cut rates and elections worldwide reshape political leadership. Franklin Templeton Institute, Investment Strategist Christy Tan recently published a report focusing on the need to reconsider portfolio strategies with greater awareness of credit fundamentals and geopolitical instabilities. A few highlights:

- Inflation and Interest Rates:

Since we saw inflation begin to rise in 2021, our global investment team has held the view that price pressures would be persistent and challenging to bring down quickly, and recent data is proving the views to be correct. Even at the beginning of 2024, when the markets appeared to price in six or more rate cuts by the US Federal Reserve (Fed), we held to the view that only one or two cuts were likely this year—which is close to what the market is now pricing. Sticky inflation will mean the upcoming



FRANKLIN TEMPLETON

cutting cycle will be shallower than previous ones, with the silver lining that the risk of recession is lower.

- **Emerging Markets:**

Emerging markets are underinvested compared to the United States. Many countries had shown resilience during the COVID-19 pandemic and have managed their fiscal accounts and trade balances well. India has diversified its economy into higher value-added services while being able to control fiscal deficits. The result is that India can potentially attract more capital from foreign investors, including a share of the capital that has traditionally flowed to China.

- **Elections:**

In a historic year for elections, the noisy rhetoric between the US presidential candidates obscures the fact that neither candidate supports free trade or fiscal consolidation. There is a concern that markets could react negatively if one party sweeps both the US Presidency and Congress. There might be a post-election sell-off in US Treasuries as a potential buying opportunity, because, with the deficit already near unsustainable levels, neither party will find it easy to expand fiscal policy further. The recent elections outside the United States had little negative impact on markets globally.

India Markets Update:

In its latest monetary policy release, the RBI kept the Repo rate unchanged at 6.50% in line with market expectations. After raising the Repo rate by 250 basis points between May 2022 and February 2023, the RBI has kept the policy rates unchanged for the 8th consecutive time. We are pleased to share our detailed analysis and outlook on the monetary policy [here](#).

The key highlights are summarized for your reference.

1. **Policy measures:** Repo rate kept unchanged at 6.50%.
2. **GDP:** Real GDP growth projection for FY25 revised upwards to 7.2% from 7% projected in April.
3. **Inflation:** Forecast for FY25 at 4.5%.
4. **Policy Stance:**
 - Monetary Policy Committee (MPC) has maintained status quo from its last meeting.
 - To remain focused on withdrawal of accommodation while ensuring inflation progressively aligns with the target level of 4% while supporting growth.
5. **Our Outlook:**
 - Inflation is easing, but the final leg of this disinflation journey may be tough.
 - While there is an expectation of a good monsoon, we believe RBI will be vigilant of any inflation risks emanating from sub-par monsoon and even domestic demand conditions.
 - RBI not only wants to reach 4% Inflation target but also stay there for some time before thinking of acting on rates.

Hope you find these insights useful.

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 continuing to meet your investment needs.



FRANKLIN TEMPLETON

Sincerely,

Avinash Satwalekar

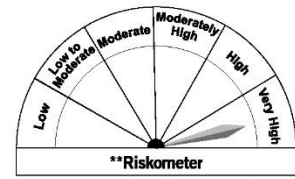
President, Franklin Templeton Asset Management (India) Pvt. Ltd.

PRODUCT LABEL

Franklin India Multi Cap Fund (Type of scheme: Multi Cap Fund - An open-ended scheme investing across large cap, mid cap and small cap stocks).

This product is suitable for investors who are seeking*: • Long term capital appreciation • A fund that invests predominantly in equity and equity related securities across large cap, mid cap and small cap stocks.

**The above scheme risk-o-meter assigned during the New Fund offer (NFO) is based on the scheme characteristics. The same shall be updated in accordance with the provisions of Para 17.4 of SEBI Master Circular dated June 27, 2024 on Product labelling in mutual fund scheme on an ongoing basis. *Investors should consult their financial advisors if in doubt about whether the product is suitable for them.



****Riskometer**
Investors understand that their principal will be at Very High risk

Disclaimer:

Source: Analysis by Franklin Templeton Institute. The S&P CNX Nifty Index, also called the Nifty 50 or simply the Nifty, is a stock market index and one of several leading indexes for large companies, which are listed on National Stock Exchange of India. Past performance is not an indicator or a guarantee of future performance. Indexes are unmanaged and one cannot invest directly in an index. Important data provider notices and terms available at www.franklintempletondatasources.com.

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. 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.

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