



FRANKLIN TEMPLETON

July 12, 2022

Dear Investor,

As the monsoon season sweeps across the country, we have closed the final month of the first quarter, as well as my first month as President. Markets continue to be volatile; and while it is an inevitable part of investing it can be difficult not to react. But we have ample historical evidence to suggest that it is more likely for you to achieve your investment goals if you plan well and stick to your plan across market cycles rather than changing course midstream. Veering off-course from a well-diversified and thought-out plan, usually results in undesirable outcomes. It can turn a momentary loss of confidence into a realised loss of an investment portfolio. Here are a few things that can help you deal with market volatility:

1. Stay disciplined.
2. Stick to your asset allocation plan and diversify.
3. Review and re-balance your portfolio periodically.
4. Look at volatility as an opportunity
5. Don't just save money, invest it for the long term.

I would like to share with you the market outlook:

Equity Market Outlook

The Indian economy has been dealing with high levels of imported inflation on account of rising global commodity prices led by supply disruption, prompting central banks to take speedier measures to anchor inflation expectations and lower the systemic liquidity levels. A set of key fiscal measures that were announced by the government are expected to provide support to the economy and cap the possibility of second round effect of inflation which could otherwise be triggered by consistently high levels of inflation. The RBI projects a GDP growth of 7.2% in FY23. Amongst positives, domestic capacity utilization levels have been on the rise which could bode well for private capex growth. This along with support from government spending on infrastructure, government's supply-side response, ongoing reopening of the economy could aid consumption growth. Recent market corrections continue to offer investment opportunities for the medium to long term. Investors may participate in a staggered manner and invest systematically for the long term.

I am also happy to share a recent interview with Anand Radhakrishnan, MD & CIO, Emerging Markets Equity – Franklin Templeton, India with BloombergQuint where he covers various aspects of the current situation, portfolio themes and current investment landscape for equities. You can [click here](#) to watch the interview.

Fixed Income Market Outlook

In a span of just one week, we saw the RBI hiking interest rates by 50 bps on June 8, 2022 followed by the US Federal Reserve hiking rates by 75 bps on June 15. While both hikes were in line with expectations, the US hike was the largest since 1994.

I would like to share the views on the Fed rate hikes by our global experts – Dr. Sonal Desai – CIO, Global Fixed Income and Stephen Dover – Chief Market Strategist & Head, Franklin Templeton Institute.

In her note titled, “On my mind: The Fed capitulates,” Dr. Desai says that this is a welcome but only partial move to a more realistic stance. Please read her detailed note [here](#).

Stephen Dover offers his perspective in his note titled “Turbulence Ahead,” wherein he discusses the rising risk of a recession in the US. Please read his detailed post [here](#).

Given the expected rate hikes and the gradual reduction of liquidity, investors may consider shorter maturity funds and floating rate funds as they provide a hedge against a rise in interest rates.

Update on schemes under winding up and some other related matters

As we have shared previously, a total of INR 26,098.19 crores has been distributed to investors across the six schemes under winding up, amounting to 103.50% of the AUM as on April 23, 2020. Further, 5 out of 6 funds have returned over 100% of the AUM at the time of winding up on April 23, 2020.

We continue to make all efforts for recovery of proceeds in the best interest of investors. This includes securities issued by M/s Vodafone Idea, Yes Bank, and companies belonging to the Reliance - ADAG, Essel, and Future groups.

The matter regarding expenses chargeable to schemes under winding-up including distribution commission is under the consideration of the Honorable Supreme Court (SC). As directed by the SC, further distributions from the schemes can be made only after obtaining permission from the SC. We will keep you informed once we receive further orders from the SC on the distribution of the next tranche. Please be rest assured that efforts to monetize the remaining security continue unabated and we continue to support the ongoing liquidation process by the Court appointed liquidator.

Our website has been updated with the latest Portfolio and Maturity Profile of the six schemes under winding up, please click the links below to see the latest information in this regard.

- [Security Level Portfolio](#)
- [Maturity Profile](#)

Looking Ahead

We continue to manage over INR 56,000 crores* of assets including a suite of equity funds investing across the market cap spectrum and across geographies besides high credit fixed income funds for various investment horizons/goals and our commitment to India remains steadfast.

I would like to once again express my sincere gratitude for your continued support. My team and I remain available to answer any questions you may have, and we look forward to the opportunity of continuing to meet your investment needs in future.

We remain committed to serving the long-term interests of our investors and partners.

Please continue to stay safe and healthy.

Sincerely,

Avi Satwalekar

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

* Monthly Average AUM as of June 2022

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