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An investment in knowledge pays the best interest. – Benjamin Franklin.

July 29, 2023

Dear Investor,

At the time of writing this letter, India has launched its third moon mission, with a goal to be the first to land near its little explored south pole. It was exciting to watch the launch online along with proud memes and light-hearted jokes in my whatsapp inbox. Notably, this landmark mission will make India the fourth country to successfully land its spacecraft on the moon.

Last year, projections for India's rapid growth expectations set it apart as a frontrunner, due to its ability to diversify into more complex industries. The country saw its ranking on the World Intellectual Property Organization's 2022 Global Innovation Index (GII) jump to 40 from 46 (out of 132 economies)^[1]. India is also said to have the third-largest tech start-up ecosystem globally with increased levels of financing and investment support, according to India's Ministry of Science and Technology^[2].

Sustained economic expansion benefited India's financial sector last quarter. In July, a US\$40 billion financial sector mega-merger between Housing Development Finance Corporation, the country's largest mortgage lender, and HDFC Bank helped the Indian market rally. The merged entity, with a market capitalization of roughly US\$150 billion, is said to be the world's fourth largest bank^[3].

India began setting a solid foundation for a more digital economy over a decade ago with the launch of its national identification program, Aadhaar. This has yielded many social benefits and has been instrumental in advancing digital financial inclusion.

Besides notable infrastructure buildout, financial sector growth and a vast and diverse population, India's remarkable progress toward transitioning to clean energy is another appealing consideration for investors. The World Bank recently approved US\$1.5 billion in financing to accelerate the development of India's low-carbon energy sector^[4]. In addition, the International Energy Agency expects India to surpass Canada and China in the coming years to rank as the world's third-largest ethanol market (after the United States and Brazil)^[5].

All this leads up to a strong belief in one of our existing product offerings – **Franklin India Opportunities Fund**. The fund has identified 3 themes – Make in India, Digitalization and Sustainable Living, which may help to bring India's growth story in your portfolio. We believe the long-term nature and multi-decadal relevance of these themes combined with the dynamic nature of theme selection in the portfolio are aimed at generating favorable outcomes for investors. For more information on this, [please click here to listen to Anand Radhakrishnan, our CIO - Emerging Market Equities, India](#).

As shared in my last letter, Franklin Templeton's Global Investment Outlook brings you timely insights from select portfolio managers across asset classes as they navigate markets and seek out investment opportunities globally. For this mid-year outlook, the theme continues to be the attractiveness of investments beyond cash including fixed income, equities, and alternatives. We give you our Franklin Templeton Institute's perspective for the second half of 2023, with ongoing conversations with our investment teams driving the narrative.

The major highlights are:

- Fixed income deserves a good deal of attention—delivering income is back.
- Diversification and income may be enough motivation to move some holdings further out the US yield curve.
- Equities should benefit from a taming of inflation and earnings optimism.



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- Following consecutive quarters of falling US corporate profits, the outlook for earnings is beginning to brighten.
- A US recession remains the overwhelming consensus view and hence is to some extent already accounted for in market prices— we believe it is likely to come later and be shallower than in the past.
- Our risk worry list includes deep recession, geopolitical tensions, energy shocks and soggy returns.

For more on this, please [click here](#) to read our Global Investment Outlook, authored by Stephen Dover, Chief Market Strategist & Head of Franklin Templeton Institute.

Hope you find it insightful.

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 in future.

Sincerely,

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

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

- 1 Source: World Intellectual Property Organization, "Global Innovation Index 2022: What is the future of innovation-driven growth?" 2022.
- 2 Source: Department of Science & Technology, "India ranks globally 3rd in Start-Up ecosystem and also in terms of number of Unicorns: Dr Jitendra Singh," August 16, 2022.
- 3 Source: CNBC, "India's HDFC Bank completes \$40 billion takeover of the country's largest mortgage lender. Here's what it means," July 2, 2023.
- 4 Source: The World Bank, "World Bank Approves \$1.5 Billion in Financing to Support India's Low-Carbon Transition," June 29, 2023.
- 5 Source: International Energy Agency, "Renewables 2021: Analysis and forecasts to 2026," December 2021.

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PRODUCT LABEL

This fund is suitable for investors who are seeking*:

- Long term capital appreciation
- A fund that takes stock or sector exposures based on special situations theme.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Fund



Investors understand that their principal will be at Very High risk

Riskometer is as on June 30, 2023.

Nifty 500



Investors understand that their principal will be at Very High risk

Riskometer is as on June 30, 2023.

Type of Scheme: Franklin India Opportunities Fund (FIOF) is an open ended equity scheme following special situations theme.