March 12, 2021

Dear Investor,

I am writing to provide an update on the hearings taking place in the Hon'ble Supreme Court (SC) and to address some recent reports about our management of the six fixed income schemes now in liquidation.

The SC has concluded arguments and is expected to issue an order on the interpretation of the regulations pertaining to the winding up of the six schemes. Most importantly, we are pleased that the court-appointed liquidator, SBI Funds Management Pvt. Ltd. (SBI), is in the process of preparing to liquidate the schemes and distribute proceeds to unitholders at the earliest opportunity. Specifically, SBI, with support from Franklin Templeton, has finalized the Standard Operating Procedure (SOP) to monetize assets of the schemes under winding up and distribute the proceeds, and has filed the SOP with the SC. We anticipate that SBI will commence active monetization very shortly.

We are pleased that SBI has already distributed INR 9,122 crores to investors. We have accrued another INR 1,180 crores in cash as on February 26, 2021, and we expect that this distributable amount will increase rapidly once active monetization of assets through sales begins. Further, the net asset values of all six schemes today are higher than those values when the trustee determined to wind up the schemes back in April of 2020.

I also want to take this opportunity to address some recent unsubstantiated reports regarding Franklin Templeton's practices around risk management, inter-scheme transfers and calculation of the Macaulay Duration, amongst others, as well as personal transactions by employees and management. Because these issues remain under regulatory review, we are constrained from commenting on specific details at this juncture, but we can confirm that to date, there have been no adverse findings against Franklin Templeton or its employees or management. Please be assured that we have been fully transparent with the regulator and have extended our fullest cooperation to them, to help them examine the circumstances surrounding the winding-up of these schemes by Franklin Templeton last year.

At the same time, we are deeply concerned by the selective coverage around these issues and urge you to allow the law and due process to take its course, and not to be swayed by conjecture or unsubstantiated reports. While we are limited in what we can say about matters that are sub-judice, I would like to point out the following information for your consideration:

- At the outset, it may be noted that Franklin Templeton is a global organization, serving clients in over 165 countries. We have been continuously operating in India for over 25 years, with a quarter of our global workforce based here, which demonstrates our commitment to our business in India. As we have stated on many occasions, we took the difficult decision to wind-up the six schemes, solely in the interest of protecting value for unitholders and the current market value of assets in those schemes compared to that of April 23, 2020 validates our position in this regard.
- We place great emphasis on compliance, and we have strong policies in place, consistent with Indian regulations and global best practices, to cover a variety of matters including risk management, suitability, valuation, inter-scheme transfers, personal transactions of employees and conflicts of interest.
- We have submitted detailed responses to show cause notices issued by SEBI. We cannot go into detail of our responses, but we believe that we acted in compliance with applicable regulations and rules and that we have strong defenses to the allegations.

With respect to the accusations regarding personal transactions of employees and management, let me assure you we take such matters seriously. Franklin Templeton has robust policies in place related to personal transactions of employees and directors, and for managing any real or perceived conflicts of interest. All necessary disclosures were duly made in a timely manner as required under regulations. Additionally, the schemes under winding up continue to have significant investment from employees and management of Franklin Templeton (as well as from the asset management company (AMC) and other group companies of Franklin Templeton). Personal redemptions by certain individuals before the winding-up decision are under review and those individuals have cooperated fully with that process and submitted detailed responses to SEBI, which are under consideration.

At Franklin Templeton, we understand the importance of investor trust and acting in a manner consistent with the trust our business partners and investors have placed in us. Our brand, with its 74-year history globally and 25-year history in India, has been built on the core values of "Putting Clients First" and "Working with Integrity." A strong commitment to our core values guides our decision-making process and has been a roadmap for our reputation, which we have painstakingly built over those years.

Our focus remains on liquidating the portfolio and returning monies at the earliest, while preserving value and we will continue to support SBI in that process.

Franklin Templeton's commitment to India remains steadfast, and we continue to manage over INR 60,000 crore of AUM (monthly average AUM as of February 2021) in our other schemes for close to 2 million investors. We continue to manage those schemes in line with their investment objectives with an endeavour to deliver meaningful investment outcomes for our investors.

My team and I remain available to answer any questions you may have. Please write to us at service@franklintempleton.com or call our toll-free investor helplines 1-800-258-4255 or 1-800-425-4255 from 8 a.m. to 9 p.m. Monday to Saturday.

Thank you once again for your continued patience and support during these challenging times.

Please stay safe and healthy.

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