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“Success is process of continually seeking answers to new questions” – John Templeton

November 30, 2023

Dear Investor,

India may have missed winning the World Cup 2023 trophy but gave us immense joy through the 45 days. Taking this letter as an opportunity to share some of my personal takeaways which I believe are applicable to cricket, life, and investments.

- **#BeNonStop:** A journey is made up of good and bad days. You cannot have only good days and will not only have bad days. The tide will turn. Sometimes in your favour and sometimes against you. But keep continuing the journey.
- **#WinnersRotate:** England won the 2019 world cup but had a 2023 tournament they would rather not remember.
- **#StayInvested:** Keep the long-term focus intact and stay invested – India had one bad day in the final. That does not take anything away from them in terms of their talent or ability to win matches in the future. So, let's keep the support going and stay invested in the men in blue.

Now for some business updates:

Organizational Update:

I would like to announce a key leadership change in the Franklin Templeton India Equity team. **Effective December 1, 2023, Janakiraman Rengaraju, currently the Deputy CIO will assume the role of Chief Investment Officer, Emerging Market Equities – India.** In his new role, Janakiraman will work closely with the local leadership team and me to further strengthen our equity franchise in the country. Janakiraman joined the firm in 2007 and has close to 27 years of experience in investment management. In his 16 years with Franklin Templeton, he has built an excellent track record in managing various funds. As CIO, Janakiraman will lead the India equity portfolio management team while continuing as the portfolio manager for many of our equity funds. Janakiraman takes over from Anand Radhakrishnan, CIO, Emerging Market Equities – India, who will be leaving the firm effective January 12, 2024, to pursue other opportunities.

India Market Outlook:

Geopolitical concerns in recent weeks have caused turmoil in equity markets globally, including India. Risks arising from such global factors could influence global commodity prices, especially oil. Strength in the dollar and tighter global financial conditions could additionally pose risks to emerging markets like India in terms of capital flows, investor risk sentiments and trade balance. In addition, domestic equity market may also witness interim volatility amid state elections in Nov-Dec. While risks are largely transitory, there are strong macroeconomic growth factors that work in favour of aiding our positive outlook on the economy. Consumption and a pickup in the investment cycle remains the key growth drivers. Apart from spending by the Government, capex is well supported by rising capacity utilization levels and strong balance sheets for corporates and banks. Asset price increases in real estate and reasonably strong demand provides a positive picture on household capex demand. A recent study by Franklin Templeton indicates that India has the highest correlation between GDP and



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earnings growth among large emerging markets. The above factors bode well for the economy to achieve the GDP growth projections of 6.3% set by the International Monetary Fund (IMF). This in turn gives an impetus to corporate earnings growth momentum.

Investors should note that valuations for large caps are modestly above long-term averages and are supported by earnings growth. The sharp outperformance in mid and small caps warrants caution in the near term. At current levels, it is recommended to consider staggered investments in diversified large cap and hybrid fund categories.

Franklin Templeton Global Update:

Franklin Templeton Global conducted an inaugural Industry Advisory Services Survey, off-the-record, unscripted interviews with leaders of 83 firms controlling over US\$45 trillion of assets under management (AUM) between March and August of 2023. The underlying aim of this paper is to help our clients understand and navigate the changing future and act as a starting point for a much larger and deeper conversation about the future of the investment and wealth management industry. Participants were encouraged to share their views on interesting developments and expectations for the future of wealth and investment management. Discussions were wide ranging and candid. Some key highlights below:

- Today's mutual fund industry looks much different than the pre-2000's era. In the "Set It and Forget It" era (1970s to early 2000s), the focus was on opportunistic equity and bond funds that measured outperformance relative to broad markets indices. In the "Let's Build a Solution" era that has since emerged, the focus is on outcome-oriented and goals-based solutions comprising a diverse range of building blocks including passive and alternative funds. Where the industry sits today, experts are indicating that we can expect a shift to a new era – the era of **better living through investing**.
- More investors need their portfolios to help them meet their near-term goals. This is creating demand for a more diverse set of investment options that can provide a variety of financial outcomes, including bespoke solutions for institutional clients that allow many to create portfolio-specific outcomes that serve their constituents' goals. The types of returns that typical investors seek are also expanding beyond just financial measures. This need for a portfolio to do more is the driving force pushing the industry toward the 'Better Living Through Investing era'.

Global Market Outlook:

The global economy is going through uncertainties with respect to inflation, interest rates and slowing pace of global growth. Recent geo-political events in the Middle East have added to these uncertainties and concerns. To help investors navigate these uncertain times, **Stephen Dover, Head – Franklin Templeton Institute**, spoke to a diverse panel of economists and market experts in **Franklin Templeton** to get their latest macro perspectives. The key highlights are summarized below:

- The US economy has been more resilient than anticipated due to higher real income, savings built during the pandemic and a rebound in auto production. However, the panel has disagreements over whether this resilience can continue.



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- Economic growth in Europe and China has been slower than anticipated.
- The uncertainty surrounding recent threats of a US government shutdown highlights the long-term challenge of fiscal stability.

You can read the complete macro perspective [here](#).

Also, Sonal Desai, CIO Franklin Templeton Global Fixed Income shares her insights on the way forward for the US Fed amid high inflation, rising bond yields and market expectations of rate cuts in 2024. You can [click here](#) to read her latest blog in the “On My Mind” series.

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.

Sincerely,

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

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