



FRANKLIN TEMPLETON

Letter from our President

November 23, 2020

Dear Unitholder,

Many of you have reached out to us over the past few days, seeking clarity on the next steps we propose to take. As you know, the Trustee of Franklin Templeton decided to wind up 6 of our debt funds in April 2020. The decision was taken because the markets had become illiquid due to the severe impact of the coronavirus lockdown. Immediate, continued redemptions by Unitholders would have meant selling the securities held in the funds at significant discounts, resulting in sharp falls in the NAVs. The Trustee thus took the difficult decision of winding up these six funds to avert losses to our unitholders from panic redemptions.

In May 2020, the Trustee had sought a vote by unitholders under section 41(1) of the SEBI Mutual Fund Regulations, to permit the Trustee (or Deloitte) to undertake an orderly sale of the debt securities held in the funds, and return money to Unitholders. However, the process could not be completed.

Though the schemes could not actively monetize the portfolio, approximately Rs. 5,900 crores is available for distribution in four out of these six schemes. This shows that the securities held in the funds can be liquidated at a fair value, if the schemes are allowed to undertake an orderly process of liquidation. This is definitely preferable to a distress sale of securities (at steep discounts) that would occur if a rush of redemptions forces an emergency liquidation of the securities at prices far below their realizable value under normal market conditions.

Post the judgement of the Hon'ble High Court of Karnataka, we considered all possible options over the last few weeks to start returning money to unitholders in the shortest possible time in an orderly manner. This included the option of seeking unitholder consent according to the judgment of the Hon'ble High Court.

However, after detailed deliberations, we have determined that it will be necessary to seek judicial intervention from the Hon'ble Supreme Court to ensure an appropriate implementation of the law in the best interest of unitholders. This action took some time because these steps needed to be carefully and thoughtfully taken to ensure that we can return unitholder monies at the earliest in an equitable manner, without distress sale of securities (at steep discounts) that would occur if there is a rush of redemptions.

It remains the earnest desire and endeavor of the Trustee to ensure equitable distribution of scheme assets to Unitholders at the earliest possible time. We will update you on further developments in this regard. In the meanwhile, my team and I are here to answer any questions you may have. Thank you once again for your continued support during these challenging times.

Please stay safe and healthy.

Sincerely,

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

Disclaimer

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 and visit our website <http://www.franklintempletonindia.com> for further details.

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