FRANKLIN TEMPLETON

Letter from our President **January 6, 2021**

Dear Investor,

Let me start by wishing you a Happy and Healthy New Year. 2020 was indeed a challenging year with the pandemic, an unprecedented human and health crisis, which in turn led to an economic crisis. However, with Covid-19 cases trending lower every week in India, I hope that the challenges of this past year will soon be behind us and 2021 will be a year of recovery.

On that optimistic note, I would like to share a few important updates with you:

UPDATE ON MONETIZATION OF ASSETS

It has been a little over eight months since we initiated the orderly winding up of the six schemes. We have been regularly sharing data on the progress made on the monetization of assets in these schemes. The latest update as on December 31, 2020 is as follows:

1. From April 24, 2020 to December 31, 2020, the six schemes under winding up have received INR 13,120 crore from maturities, pre-payments, and coupons. In the month of December 2020, the schemes mobilized INR 1,543 crore.

2. Franklin India Short Term Income Plan turned cash positive taking the total number of cash positive schemes to five. These schemes have INR 8,527 crore available to return to Unitholders, subject to fund running expenses.

3. The inflows received across 6 schemes is nearly 41% higher than anticipated in the maturity profile published for April 23, 2020.

4. The borrowing level in Franklin India Income Opportunities fund, the only fund with outstanding borrowing, has steadily come down from 37.55% on April 24, 2020 to 6% at the end of December 2020.

5. It will be pertinent to note that of the INR 13,120 crore received since April 24, 2020, slightly more than half of this amount has been received from securities rated "A", followed by securities rated "AA". Much of this cash has been generated from securities which were unlisted, or where FT was a majority holder – nearly 29% of the cash is from unlisted securities and nearly 74% of the cash is from securities where the schemes are the sole or majority holders.

I would like to inform you that, most importantly, all of this cash has been received without any secondary market sale (active monetization) of the securities in the six schemes. This points to the fact that the securities held in the funds can be monetized at fair value if given appropriate time under normal market conditions.

UPDATE ON UNITHOLDERS CONSENT VOTE AND UNITHOLDERS MEET

As you are aware, the Trustee of Franklin Templeton Mutual Fund in India, with the permission of the Hon'ble Supreme Court, sought the consent of the unitholders under regulation 18 (15) (c) to wind-up the schemes.

You may also be aware that the Hon'ble Supreme court in its interim order on December 9, 2020, had directed SEBI to appoint an observer to oversee the voting exercise and the electronic unitholder meet. Mr. T. S. Krishnamoorthy, former Chief Election Commissioner of India was appointed as the observer by SEBI and was assisted by a senior team including officials from SEBI, CDSL, CFSL and a Scrutinizer.

The unitholders consent vote took place from December 26 to December 28, 2020 followed by the Unitholders meet via video conference on December 29, 2020.

The result of the e-voting along with the report of the observer appointed by SEBI will be submitted to the Hon'ble Supreme court in a sealed envelope. Further steps will be taken as per the directions of the Hon'ble Supreme Court. The next hearing in this matter is expected to be held in the 3rd week of January 2021. We will update you on next steps related to the winding up post this hearing.

In the meanwhile, my team and I remain available to answer any questions you may have. An FAQ document is available on our website which covers the questions received by us from unitholders, prior to the Unitholder's Meet on December 29, 2020. You may **click here** to view the document.

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

Please stay safe and healthy. I wish you all the very best in 2021.

Sincerely,

Sanjay Sapre

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