



FRANKLIN TEMPLETON

28 September 2020

Subject: An Update on Winding-up of 6 Fixed Income Schemes

Dear Investor,

I am reaching out to you today to share a factual update on the latest developments related to the six fixed income schemes under winding-up. You may have also read with some concern, media reports pertaining to a First Information Report (FIR) filed with the Economic Offences Wing (EOW), Chennai. I will bring clarity on this as well in my letter.

The Hon'ble Karnataka High Court has completed hearing the arguments on matters related to the six schemes under winding-up. We await the judgment from the Hon'ble High Court. Our focus remains on maximizing value for unitholders in these schemes and returning monies as soon as possible in accordance with the applicable regulations, subject to the decision of the Hon'ble Karnataka High Court.

Please do not believe un-substantiated rumours and baseless accusations. While we cannot comment on the First Information Report (FIR) as we have not seen its contents, it may be noted that filing of an FIR is simply the preliminary step in an investigation. Since the business has been carried out in compliance with the applicable laws and all decisions were taken in the best interest of our unit holders, we are confident about the outcome of any true and fair investigation conducted in this regard. We have the utmost respect for all statutory authorities including EOW, however we believe that Securities and Exchange Board of India (SEBI), the specialized regulator for the securities market, is best placed to handle any issues related to mutual fund investments.

The press release issued by Chennai Financial Markets and Accountability (CFMA) citing the FIR, is replete with various misleading and baseless allegations, besides being inappropriate, as the matter is currently subjudice. We are not aware of the antecedents of CFMA and as admitted by them in their original complaint, none of their members were unitholders in the six impacted schemes.

Mutual Funds are well regulated, and assets of these schemes are held with independent SEBI registered custodians. Portfolios of these schemes retain value according to their respective NAVs, which are published daily based on the valuation of two reputed independent valuation agencies. We have already communicated the reasons for winding up (specifically the impact of the Covid-19 pandemic) and **request you not to be swayed by unverified or speculative reports in the media.**

The books of the six impacted schemes are regularly audited by internal auditors, statutory auditors, auditors appointed by the regulators etc. and **none of them have ever made any observation regarding misutilization of funds by the schemes.**

CFMA has previously made similar misleading and baseless allegations against us and the industry – for example, suggesting that unitholders in the scheme may face up to an 80% haircut, or that winding up of schemes by Franklin Templeton will lead to substantial losses for unitholders across all debt schemes in the industry. **I would like to remind you that since April 24, 2020, the schemes under winding up have received over INR 7,184 crore from maturities, pre-payments, and coupons. Four out of the six schemes are already cash positive.** As a reminder, these amounts have been generated without the ability to efficiently monetize the portfolio. I hope the above helps assuage initial concerns some of you may have had based on incorrect reporting that took place around large hair-cuts that investors may face in these funds.

We wish to assure our unitholders that we continue to follow due process, both in making investment decisions and in the winding up of these schemes. We have acted in the best interest of our unitholders and in accordance with all regulations in this regard. Our focus remains on maximizing value for unitholders in these schemes and returning monies as soon as possible in accordance with the applicable regulations, subject to the decision of the Hon'ble Karnataka High Court.

We continue to receive monies from coupons, maturities, and pre-payments in all the six schemes. These details are also published on our website every fortnight as well as communicated to our unitholders. We continue to follow due process, both in making investment decisions and in the winding up of these schemes. We continue to cooperate fully with all regulatory authorities.

As I end this message, I want to re-affirm our focus on returning the maximum possible value to all investors in the shortest possible time. Thank you once again for your continued patience and co-operation.

Please stay indoors, stay safe, and stay healthy.

Yours sincerely,

Sanjay Sapre

President

Franklin Templeton Asset Management (India) Pvt. Ltd.

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