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“Be the change you want to see in the world” - Mahatma Gandhi

September 30, 2023

Dear Investor,

India is growing in influence on the world stage, and our vibrant market is being noticed globally. India has been on quite a roll this year - the latest announcement of a new multilateral rail and sea corridor project to connect India with the Middle East and the European Union is a beacon of partnership and innovation. The passage of the 128th Constitution Amendment Bill, providing 33% reservation for women in Lok Sabha and state assemblies earlier this month was remarkable, reflecting the powershift and the distance women have come in national life. From back-to-back, celestial successes to a commanding role in pulling off a consensus declaration as host of the world's highest profile global economic assembly - the G20.

India Outlook

For an ‘Economy Update and Equity Market Outlook’, I am sharing an interesting conversation with Varun Sharma, Vice President & Portfolio Manager, Franklin Templeton India where he speaks about a new normal that seems to be emerging in the global economy that is characterised by a huge dispersion in returns of various markets and industries within each market at any given point in time. He has also shared a detailed analysis of themes emerging in different markets that are likely to remain in favour across business cycles due to their inherent sector agnostic nature. [Please click here to listen to the conversation.](#)

Global Outlook

The resilience of US growth, earnings and markets has been the big surprise of 2023. Following more than a year of aggressive Federal Reserve (Fed) rate hikes, few would have believed at the beginning of this year that the United States would avoid a recession, see an upswing in US corporate earnings expectations, and enjoy a strong rebound of major equity indexes.

Stephen Dover, Head of Franklin Templeton Institute has explored factors contributing to this resilience in his latest blog. Here are the key investment implications from it:

1. Investors should be wary of recession forecasts based purely on historic norms. US private sector indebtedness has changed significantly in amount, structure, and maturity since the Global Financial Crisis and most of those changes lend greater stability and resilience to the economy.
2. Assuming inflation continues to recede, and growth remains moderate, interest rates are probably near their peak. To the extent they fall from here, companies will be able to refinance on more favorable terms. For many of them, time is on their side, having locked into longer maturities.
3. Investors ought to be prepared to use any bouts of overall weakness in credit markets to take advantage of improved corporate debt fundamentals. To be sure, doing so requires careful



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discrimination about where idiosyncratic credit risk is warranted, but in our view, prudent “buy-the-dips” approaches are justified.

[Click here to read the corporate debt story.](#) Hope you find it insightful.

The Fed’s new “Summary of Economic Projections” unveiled important changes to the Fed’s views and forecasts. On the macroeconomic outlook, the Fed now envisions a much stronger economy this year and next, with faster growth and lower unemployment. Our Franklin Templeton Fixed Income CIO Sonal Desai has shared her latest insights on the policy outlook and the implications for investors. [Click here to read what’s on her mind.](#)

Enhanced Roles in India Equity Investment Team

Our India equity team has seen progress over the last two years in people development, talent infusion, as well as enhancements on research and portfolio management processes led by Anand Radhakrishnan, CIO Emerging Markets Equity India. To ensure we are prepared to target the next leg of growth, I am happy to share that Janakiraman Rengaraju has taken over the role of Deputy CIO (India Equity). In this enhanced role, he will support Anand in team management, client engagement, research oversight and other critical areas.

Payment related to segregated portfolios

I am happy to inform you that we have received and disbursed the annual interest amounting to INR 148.34 crore along with the full value of the principal due on maturity amounting to INR 1,250 crore from the Vodafone Idea Ltd. security which was held in the segregated portfolios. With these receipts, Segregated Portfolio 2 has completed full recovery on September 1, 2023.

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.

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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 including details of AUM by geography.

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