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“The most important investment you can make is in yourself.” Warren Buffet

February 28, 2024

Dear Investor,

I would like to start this letter by telling you about our Global President, and CEO, Jenny Johnson's recent visit to India. Jenny was in Delhi recently at Asia's premier meeting place, the Global Business Summit and shared the importance of India in the global context, highlighting its young demographic, a growing middle class, the move from unorganised economic policies to organised ones like the GIFT city and more. Jenny also re-iterated Franklin Templeton's long history in India, her strategic vision for expanding our business globally, with a particular focus on India and renewed our commitment to investors here. Her confidence in India's growth story and belief that this could be India's decade was clear across her 5-day visit with conversations on multiple business opportunities, and the incredible talent that India has to offer.

Jenny also spent time with the rural women of Maharashtra, as we launched our skills and financial literacy programme in association with Mann Deshi Foundation through the Business School on Wheels. This initiative will provide entrepreneurial training to women at their doorstep, while helping to make them digitally capable and financially independent. I am looking forward to our partnership with Mann Deshi Foundation as we help women confidently make their own choices and be celebrated as equal and valuable members of their communities.

February 13, 2024, was a historic day for Franklin Templeton as we unveiled a customised India Post MY Stamp, that signifies 30 years of commitment to India. The stamp has been designed and launched to commemorate the 30-year milestone of two of our flagship funds -Franklin India Bluechip Fund and Franklin India Prima Fund. The customised My Stamp was released by Jenny, Janakiraman R. – CIO, Emerging Markets Equity, KK Sharma - Chief Postmaster General – Maharashtra, and me.

We would like to thank all our distributor partners, and investors for your trust.

Global Markets Update:

Are current US market dynamics “too hot, too cold or just, right?” What are the impacts of rising interest rates? What is the case for diversification? Our global economists discuss these questions in our latest Macro Perspectives. The metaphor of temperature (too hot, too cold, or just right) aptly encapsulates the questions in current market dynamics. Are we overheating, signalling inflationary concerns and a potential bubble? Is the economy too cold, characterized by lagging growth and the risk of stagnation? Or perhaps we're in that elusive “Goldilocks” zone, where things are just right, at least for now. We recently hosted a discussion with economists from across our firm to provide their varying views and insights related to these questions.



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Here are some key takeaways from the discussion:

The US economy has been more resilient than anticipated, primarily due to the following factors.

- Lower inflation has boosted real income and spending power.
- Excess savings built up during the pandemic have also aided spending.
- There has been a reversal of pandemic-related disruptions, such as a rebound in auto production and sales as chip shortages ease; and
- The labor market has been strong and may gather strength more broadly if the striking auto workers get the wage increases, they are asking for.

If US economic resilience will continue.

Many reasons for the US economy's resilience are starting to fade. US student loan repayments will resume in the fourth quarter of 2023, which will likely be a drag on spending. Continuing government dysfunction could be negative for growth. Typically, there is a one- to two-year lag between higher interest rates and their impact on employment growth; the Federal Reserve (Fed) started raising interest rates around 18 months ago, indicating that a slowdown is more likely going forward.

Economic growth in Europe and China have been slower than anticipated.

Europe has shown great difficulty recovering from the trade shock of last year following Russia's invasion of Ukraine. The downside in Europe may reflect the impact of policy tightening from the European Central Bank. China has experienced many challenges, including a decline in housing-related activities, putting pressure on corporate and local government balance sheets. The period of weak Chinese growth adds a disinflationary impulse to the global economy.

Oil prices are not anticipated to significantly impact core inflation.

Currently, rising oil prices are linked to supply changes through production cuts and geopolitical tensions. This will boost headline inflation in the short term but is less likely to impact core inflation. It is also different than last year when all commodity prices rose at the same time. We are not seeing this concurrent rise in the prices of other commodities.

Shifting portfolio holdings into fixed income and out of cash is looking attractive to us as interest rates have risen.

Fixed income creates total return by producing income, not just based on price movements. This is a stable and consistent contribution to portfolio return. Additionally, fixed income is a diversifying asset, and should show low expected correlation to equities going forward.

India Markets Update:

The recently presented interim Budget 2024 sends out a strong message on the government's commitment to fiscal glide path to 4.5% fiscal deficit by FY26. The endeavour to improve the quality of expenditure, with preference to capex over revenue expenditure, warrants striking a fine balance



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between fiscal discipline and investing in structural enablers for long term growth. The government's focus on maintaining this balance without budging on typical election year spending compulsions is a positive step.

Overall, we believe that the government's focus on trading short term growth spurt for meaningful improvement in medium term growth prospects through lower inflation, lower interest rate and lower volatility in growth rates is a positive.

Despite fundamental strength in the Indian economy supporting domestic equities over medium term, uncertainty in global factors and upcoming domestic elections could potentially keep markets volatile in the near term. While investors may continue to invest as per their specific risk appetite and investment goals, they may seek incremental diversification in terms of asset class, geographies and investment style (increasing exposure to value style) for their portfolios.

The RBI kept interest rates and stance unchanged as expected by majority of the market participants. They are looking at the effective increase passed on through the economy rather than mechanically looking at the repo rate thus diluting some market commentary around real rates being high. While we have been adding duration to our very short-term funds at the short end of the curve, we believe that short end of the curve continues to offer best risk-reward to the investors. Thus, accrual-based products could be good choice for investors from the risk/reward perspective.

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.

PRODUCT LABEL

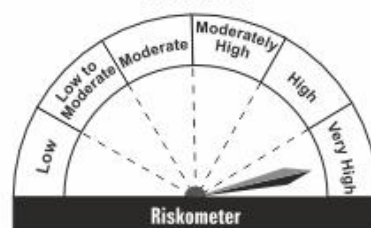
This fund is suitable for investors who are seeking*:

Franklin India Bluechip Fund (An open ended equity scheme predominantly investing in large cap stocks): • Long term capital appreciation • A fund that primarily invests in large-cap stocks.

Franklin India Prima Fund (An open ended equity scheme predominantly investing in mid cap stocks): • Long term capital appreciation • A fund that primarily invests in midcap stocks

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. ^This riskometer(s) will be evaluated and updated on a monthly basis. Refer <https://www.franklintempletonindia.com> for latest riskometer(s).

Riskometer



Investors understand that their principal will be at Very High Risk

^Riskometer is as on January 31, 2024.



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