



FRANKLIN TEMPLETON

Letter from our President

13 July 2020

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

Dear Investor,

I hope you continue to stay safe and healthy. I am writing to update you on recent developments related to the six schemes under winding-up.

Full and final payment from Vodafone:

I am happy to inform you that further to the annual interest payment received on 12 June 2020 for the security '8.25% Vodafone Idea Ltd. (10-July-2020)' held in the segregated portfolios of the six schemes under winding up, we have now received the full value of the principal due, along with interest for the period 12 June to 9 July 2020. This amount will be distributed to unitholders of the segregated portfolio. This is the full and final payment for this segregated portfolio and will be made by extinguishing all the outstanding units held by each unitholder therein.

The Net Asset Value (NAV) per unit or Payment Price Per Unit (PPU) for the plans of the above schemes is computed as the total amount available for distribution in the respective plans divided by the total outstanding units in the plans. Attached is a presentation which explains the calculation of the amount payable to unitholders. [Click here for presentation.](#)

For units held in physical/ statement of account mode, all outstanding units as on 10 July 2020 will be extinguished and the amount will be distributed to unitholders by 14 July 2020. For units held in demat mode, all outstanding units as on 17 July 2020 (i.e. the record date) will be extinguished and the amount will be distributed to unitholders by 20 July 2020.

Vodafone Payment Credit:

We have also received some queries on the Vodafone payment from investors who are unitholders in the segregated portfolio. Payments to investors who have not completed their KYC, or FATCA declaration cannot be processed. You can view your KYC status online under [KYC enquiry](#). If your KYC is not complete, we request you to submit the KYC application form, along with the required documents at the nearest Investor Service Centre or collection center, listed in the "Locate Us" section on our [website](#) or to your distributor. To update your FATCA declaration, please [click here](#)

Santosh Kamath's podcast:

Many of you had told us you were keen to hear from Santosh Kamath, our Fixed Income CIO. We recently recorded a podcast with Santosh where he has touched upon a wide array of topics including an update on the current state of the fixed income markets, particularly with regards to "AA" and "A" rated bonds, volatility in the NAV of the six schemes under winding up, and the rationale for some of the investment decisions made in the past. If you have not heard the podcast, you can [click here](#) to listen to the same.

Schemes continue to receive cash flows:

The six schemes under winding up continue to receive cash flows and we have some good progress to report in this regard. **From June 16, 2020 to June 30, 2020, the schemes have received an additional INR 1,311 cr.** from maturities, pre-payments, and coupon payments. **This takes the total amount received since April 24, 2020 to INR 3,275 cr.** And this amount has been received without the ability to efficiently monetize assets. The schemes will endeavor to accelerate monetization post the successful completion of the e-voting exercise and the Unitholder meets.

An update on the progress made since the last time we connected:

1. We have received a pre-payment of INR 420 cr. from Nuvoco Vistas Corporation Ltd (NVCL) across two securities in Franklin India Ultra Short Bond Fund & Franklin India Dynamic Accrual Fund. The issuer has prepaid both these securities in June 2020, which were to mature in September 2020 and September 2021, respectively.
2. As I had updated you in my last communication, Franklin India Ultra Short Bond Fund & Franklin India Dynamic Accrual Fund had fully repaid their borrowings and are cash positive. As of June 30, 2020, Franklin India Ultra Short Bond Fund has 13% and Franklin India Dynamic Accrual Fund has 4% of their AUM available to distribute to Unitholders. As mentioned earlier, we will need to wait for the completion of the e-voting exercise and the Unitholders meet before we can start returning money to investors in these schemes
3. The borrowing levels in the other funds continue to come down steadily. The table below highlights the reduction in borrowing through June 2020

Scheme Borrowing Levels	Franklin India Low Duration Fund	Franklin India Short Term Income Plan	Franklin India Income Opportunities Fund	Franklin India Credit Risk Fund
As on May 29, 2020	11%	33%	39%	11%
As on June 15, 2020	10%	32%	38%	11%
As on June 30, 2020	7%	29%	37%	9%

Concerns on drop in NAV on 30th June:

Some of you have queried the drop in NAV in some of the funds on 30th June. This is the result of a maturity date reset for the securities of Edelweiss Rural & Corporate Services Limited (ERCSL). The independent valuation agencies typically value these interest rate reset securities considering the next interest rate reset date as the maturity date. The impact on the NAV is due to valuation provided by the valuation agencies due to reset of maturity date to the next rate reset date (30 June 2022). Franklin Templeton is continuously monitoring the developments in this regard and engaging with the issuer for early repayments.

Clarification on certain misleading reports:

We have also noticed certain factually incorrect and biased reports circulating on WhatsApp and other platforms which mention that investors could face a loss of over Rs.20,000 crore in the schemes under winding up. We strongly refute these misleading allegations, and while it is difficult to stop such news from circulating, we wish to once again clarify that winding-up of a scheme does not mean there has been any kind of write-off of investments made by the schemes.

An update on cases filed against Franklin Templeton:

I understand that the delay due to various legal cases continues to add to your disappointment and inconvenience. On July 8, 2020, the Hon'ble Karnataka High Court considered the matters related to winding-up of six debt schemes of Franklin Templeton Mutual Fund and issued notices to the concerned parties. The parties are directed to file counter affidavit / statement of objections and rejoinder, if any, by July 22, 2020 and July 29, 2020 respectively. The next hearing is scheduled on July 15, 2020 and the Court may record the progress made in the transfer of Writ Petitions filed before the Hon'ble Madras High Court to the Hon'ble Karnataka High Court. The e-voting and the unitholders meet continue to remain suspended till we get further directions from the Hon'ble Karnataka High Court and active monetization of assets of the schemes and distribution of investment proceeds to the unitholders will be possible only after successful e-voting.

We will continue to share progress made on matters that are important to you. Thank you once again for your continued patience and co-operation.

In case of any further queries, please feel free to call our dedicated helpline at 1-800-258-4255 or 1-800-425-4255 from 8 a.m. to 9 p.m., Monday to Saturday. Alternatively, you can also e-mail us at service@franklintempleton.com.

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.