



FRANKLIN TEMPLETON

February 3, 2021

Dear Investor,

The decision to voluntarily wind up six schemes has been one of the most difficult decisions the organization, our Trustees, Directors, and I personally, have had to take. I wish to emphasize that this decision was taken with the sole objective of safeguarding value for our investors. We deeply appreciate your patience and support, as well as the support of our partners during this period.

I am pleased to share with you that the Hon'ble Supreme Court has accepted our prayer to permit distribution of available cash in the schemes and directed that an amount of INR 9,122 crore (distributable surplus as of January 15, 2021) be distributed to the respective unitholders in proportion to their holdings in the schemes under winding up.

In our previous communication, we had updated you that across the six schemes under winding up, an overwhelming majority of unitholders (around 96% by unitholders) voted in favour of the winding up. We thank you once again for your support by voting in favour of the orderly winding up in all six schemes.

As previously stated, we went ahead with the difficult decision of winding up these six schemes because of our firm belief that this was the right decision to preserve value for investors and this is evidenced by the cash generated in these schemes over the last 9 months. We believe the distribution of monies will provide unitholders with much needed liquidity.

The Hon'ble Supreme Court, as agreed by all the parties, has directed that SBI Mutual Fund be entrusted with the activity of distributing available cash to Unitholders. I would like to assure you, that we will provide all assistance SBI Mutual Fund may require to ensure distribution of available cash at the earliest.

The orderly winding up of the portfolios and return of money has been our only priority during the last 9 months. I have been regularly sharing updates on monetization of assets with you during this period. To recap:

- From April 24, 2020 to January 29, 2021, the six schemes under winding up have received INR 14,391 crore from maturities, pre-payments, and coupons. Some of this cash has been used to repay borrowings.
- Five schemes have turned cash positive and have INR 9,698 crore cash (as of January 31, 2021) available to return to Unitholders.
- The inflows received across 6 schemes are nearly 46% higher than anticipated in the maturity profile published on April 23, 2020.
- 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 5% at

the end of January 2021.

- In five out of six schemes, the NAV as on January 29, 2021 is higher than the NAV on April 23, 2020, the date on which the winding up decision was taken. For one scheme (Franklin India Income Opportunities Fund), the NAV is only marginally lower. Further, the combined AUM of the six schemes has increased from INR 25,648 crore on April 23, 2020 to INR 26,414 crore as on January 29, 2021.
- It will be pertinent to note that of the INR 14,391 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 28% of the cash is from unlisted securities and nearly 75% of the cash is from securities where the schemes are the sole or majority holders.
- Most importantly, this cash has been received without any secondary market sale (active monetization) of securities in the six schemes.

The next hearing in this matter is scheduled for February 9, 2021. We will keep you updated on further developments. In the meanwhile, my team and I remain available to answer any questions you may have.

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

Please stay safe and healthy.

Sincerely,

Sanjay Sapre

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

Disclaimer

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