



# FRANKLIN TEMPLETON

## Letter from our President

14 May 2020

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### **Subject: An Update on Scheme Borrowings, Voting Exercise and Returning Your Money**

Dear Investor,

It has been some time since I reached out to you. Firstly, I want to express my deep regret at the disappointment and worry you may feel with our decision of winding up the six schemes. Let me begin by reiterating that the decision to wind up our suite of six yield-oriented managed credit schemes was an extremely difficult one and not a situation we wanted to find ourselves in. We also recognize the deep impact that this has had on you.

However, we truly believe this decision was the only viable way to preserve value for you, our unitholders, despite the immediate challenges this may bring. Franklin Templeton is committed to ensuring an orderly and equitable exit for all investors at the earliest possible time and we have been working hard to expedite the process of returning your money. The upcoming voting exercise is one such important step in that direction.

I want to take this opportunity to share a few important updates.

#### **Re-payments from invested companies and returning scheme borrowings:**

I would like to confirm that we continue to receive inflows regularly and all maturities and other commitments have been received as per schedule thus far. We continue to see a marked reduction in borrowing levels across some of our funds under winding-up, as we receive these cash flows via coupons, scheduled maturities and prepayments.

I am aware that some of you have concerns regarding the maturity profiles of the schemes that we shared. Let me reiterate that the maturity profile disclosed by us, unique to each scheme, is only based on maturity date and put / call dates of each of the securities. However, the schemes will explore all opportunities to monetize the underlying assets in the portfolio before the maturity date, without resorting to distress sales, such that we can return investor monies at the earliest possible time. It will be the endeavor of the schemes to return these monies well in advance of the maturity dates of the underlying securities.

According to regulations, the scheme must discharge its liabilities, including borrowings, before returning monies to unitholders. However, I want to clarify the misconception that repaying the borrowing will take value away from investors. The borrowing in the schemes (undertaken as per SEBI's regulations) is considered a liability for the scheme and has already been adjusted while determining the AUM. Effectively, the portfolio value is higher than the AUM reported and repayment of borrowing will not impact the net AUM.

#### **Voting Exercise:**

The reason for winding up these six schemes was to preserve the value of your investments and return your money at the earliest. This will involve further steps including a unitholder vote, which is required to authorize the Trustees to take the next steps as per Regulation 41 of SEBI (Mutual Fund) Regulation 1996. Once the Trustees receive authorization from you, next steps include monetization of assets and distributing monies from the respective schemes. An important point to note is that the payment schedule/payouts can only be finalized and implemented, post the successful completion of the voting process.

Our Trustees will also be appointing an Independent Advisor to assist with the liquidation of the portfolios. Our immediate focus is on getting ready for the voting process and making it as convenient and easy as possible for you to cast your vote.

Over the next few days, our Trustees will send investors in the six schemes under winding up, an email with a "Notice" related to the "Voting Process". The Notice will be sent for each scheme separately. The voting activity will be conducted separately for each of the six schemes. In other words, an investor in one or more schemes (among the six schemes under winding up) will be required to vote separately for each scheme they hold investments in.

I would also like to clear some misconceptions regarding the purpose of the voting exercise. Some investors believe that by voting in the "Negative", the winding up will be reversed and that the six schemes will recommence the redemption and subscription process. This is not true. The purpose of the vote is to authorize the trustees to take the next steps for disposal of the assets of the scheme and distribution of the proceeds to the unitholders in accordance with regulations.

If Trustees do not receive authorization to proceed with disposal of assets of the scheme, this may delay the process of monetizing such assets and distribution of proceeds.

Therefore, I urge you not to base your choice on market speculations or rumours. I sincerely request that you take the time to understand our decision in detail or speak to your advisor or reach out to us if you have any questions in this regard. You may [click here](#) for more information on the winding up of the six schemes.

### **Returning Your Money:**

During the winding up process, we are committed to being transparent with you by communicating as often as we can and being responsive to all your concerns and queries. We remain committed to answering all your queries, whether received via social media, or our call centre. We have also put together a [FAQ document](#) for your reference.

I know that this decision has impacted our reputation, which we built painstakingly over the last 25 years. There couldn't be a higher price to pay for us in terms of reputation and our business, but we went ahead, because of our firm belief that this was the right thing to do to preserve value for you.

Our commitment to India and our investors remains steadfast, and our focus currently is to return the maximum possible value to all investors in the shortest possible time in these unprecedented times. This, we feel, is the only way to rebuild our brand reputation and more importantly, regain some of your trust.

I look forward to the successful conclusion of the voting exercise, so that we may start to return money in some of our funds soon, thereafter, as shown in the maturity profile of the funds posted on our website.

Please 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 or e-mail us at [service@franklintempleton.com](mailto:service@franklintempleton.com), if you need any further assistance..

My team and I are here to address all your queries; and while there may be slight delays, please be assured that we will get back to you.

Yours sincerely,

**Sanjay Sapre**

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

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