Subject: Important Announcement on our Yield-Oriented Fixed Income Funds

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Dear Investor,

The unprecedented lockdown of the Indian economy in the wake of Covid-19 has impacted livelihoods and businesses across the country. Despite several measures by the Reserve Bank of India (RBI), the liquidity in certain segments of the corporate bond markets has fallen-off dramatically and has remained low for an extended period.

In this scenario, mutual funds are facing unprecedented liquidity challenges due to a variety of factors - rising redemption pressures due to heightened risk aversion, mark to market losses following a spike in yields and lower trading volumes in the bond markets. These factors have together caused a significant and worsening liquidity crunch for open-end mutual fund schemes investing in corporate credits across the credit rating spectrum.

Important Announcement:

In this situation, we find that the ability to liquidate assets at a reasonable price to fund redemptions for the schemes identified below is under severe stress and it is no longer possible for certain schemes of Franklin Templeton to generate adequate liquidity to fund daily redemptions. Accordingly, we wish to inform you, that the Trustees of Franklin Templeton Mutual Fund in India have, after careful analysis and review of the recommendations submitted by Franklin Templeton AMC, and in close consultation with the investment team, **voluntarily decided to wind up its suite of six yield-oriented fixed income funds, post cut-off time from April 23, 2020** (refer to **Annexure I – Notice to Investors**) as they are of the considered opinion that an event has occurred, which requires these schemes to be wound up. This decision has been taken in light of the severe market dislocation and illiquidity caused by the Covid-19 pandemic, and in order to protect value for investors via a managed sale of the portfolio. The list of schemes being wound up is as follows:

Franklin India Ultra Short Bond Fund (FIUBF)
Franklin India Short Term Income Fund (FISTIP)
Franklin India Credit Risk Fund (FICRF)
Franklin India Low Duration Fund (FILDF)
Franklin India Dynamic Accrual Fund (FIDA)
Franklin India Income Opportunities Fund (FIIOF)

Factors leading to Winding-Up: The impacted schemes of Franklin Templeton were able to meet their redemption payment obligations across all market conditions and even during the

initial phase of the Covid-19 pandemic lockdown despite redemption pressures and increased market illiquidity. However, the extension of the lockdown has heightened redemption volumes and reduced inflows to unsustainable levels. The schemes even resorted to borrowings within permissible limits in line with market practice to fund redemptions during this time but given the situation, we felt that it would not be prudent to leverage the schemes further. While the respective valuations of these schemes have been marked promptly and conservatively thus far, continuous redemption pressures in the backdrop of a severe dislocation in the corporate bond markets would place great strain on our ability to ensure equitable treatment of all investors. Further, given the current unprecedented situation, even the committed borrowing lines maintained by the funds are inadequate to meet the demand for sustained borrowing across the schemes.

We explored the possibility of suspending redemptions until market conditions stabilize without winding up the schemes. However, conditions for such a suspension under the current regulatory framework, such as a maximum suspension period of 10 working days (in 90 days) and the requirement to honour redemptions up to INR 2 lakh per day per investor, rendered this approach unviable to meet the severe sustained impact of the current crisis (refer **Annexure III - FAQs** for options considered besides winding up).

The Trustees were hence left with no option except to initiate the winding up of the schemes with a view to protect the interests of unitholders. Winding up the schemes was determined to be the best way to ensure a fair and equitable distribution of monies to unitholders while minimizing erosion in value for investors.

Key implications for investors:

a. **Suspension of Purchase and Redemption:** The 6 wound up schemes are no longer available for subscription or redemption post cut-off time from 23 April 2020. All Systematic Investment Plans (SIP), Systematic Transfer Plans (STP) and Systematic Withdrawal Plans (SWP) into and from the above-mentioned funds stand cancelled post cut-off time from 23 April 2020.

b. **Distribution of monies from Fund Assets:** Following the decision to wind-up the schemes, we will now proceed to assist the Trustees with orderly realization and liquidation of the underlying assets with the objective of preserving value for unitholders, and with distribution of the proceeds thereof to the unitholders after discharging the liabilities of the schemes. It will be our endeavour to liquidate the portfolio holdings at the earliest opportunity, to enable an equitable exit for all investors in these unprecedented circumstances. We would also continue to explore opportunities to monetize assets through secondary transactions, once the market stabilizes. We will aim, subject to the limitations under Regulation 41, to make regular payments to investors from portfolio maturities, coupon and pre-payments, once the borrowings in the funds have been paid back. **To understand the details of the payment process during the winding up, please refer to Annexure II.**

c. **Tax Implications:** The amount received by investors are in the form of redemption of units and would, where such amount or part thereof represents a gain for the investor, be taxed as capital gain in the hands of investors depending on inter alia the period of their investment in the scheme. It is best to take advice from a tax expert as impact could vary depending on the investor status and income.

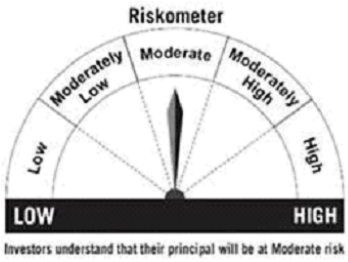
The decision to wind up these funds was an extremely difficult one, but we believe it is necessary to protect the interests of our investors in the current unprecedented economic environment. It is not a reflection of the integrity of these funds or any form of write-offs but only in response to the significant liquidity challenges faced as a direct result of the Covid-19 pandemic and related lock-down. The underlying securities held by these funds remain sound and we remain aligned with the interests of our investors, with an aim to assist the Trustees to fully exit these funds at the best possible value.

Franklin Templeton manages an additional 27 open ended schemes, 24 close ended and 6 fund of funds schemes with approximately INR 50,000 Crore of AUM in fixed income, equity, hybrid, overseas, feeder and multi-asset schemes which are not impacted by the winding up process. We continue to manage these schemes in line with their investment mandate with a view to delivering superior investment outcomes for our investors.

Franklin Templeton has a long history of over 25 years in India, with a third of our global employee strength based here. Our commitment to India and our investors remains steadfast. We seek your support in these challenging times and hope you will continue to repose your faith in us.

Please refer to Annexure III - FAQ document for more information.

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

Fund Name		
Franklin India Low Duration Fund (Number of Segregated Portfolios - 2) FILDF	• Regular income for short term • A fund that focuses on low duration securities.	
Franklin India Short Term Income Plan (Number of Segregated Portfolios - 3) FISTIP	• Regular income for medium term • A fund that invests in short term corporate bonds including PTCs.	
Franklin India Credit Risk Fund (Number of Segregated Portfolios - 3) FICRF	• Medium to long term capital appreciation with current income • A bond fund focusing on AA and below rated corporate bonds (excluding AA+ rated corporate bonds).	
Franklin India Dynamic Accrual Fund (Number of Segregated Portfolios - 3) FIDA	• Medium term capital appreciation with current income • A fund that focuses on fixed income securities with high accrual and potential for capital gains.	
Franklin India Income Opportunities Fund (Number of Segregated Portfolios - 2) FIIOF	• Medium term capital appreciation with current income • A fund that focuses on high accrual securities	
Franklin India Ultra Short Bond Fund (Number of Segregated Portfolios - 1)	• Regular income for short term • A fund that invests in short term debt and money market instruments	

Warm Regards,
Franklin Templeton