

NOTICE FOR E-VOTING AND MEETING OF UNITHOLDERS

Name of the Scheme	: Franklin India Credit Risk Fund
Date of E-Voting	: From 9.00 am on December 26, 2020 to 6.00 pm on December 28, 2020 and during the Video Conference (VC) Meeting hours
Date of Unitholders Meeting	: December 29, 2020 at 2:00 pm to 03:00 pm (VC Meeting hours)
Place of Meeting	: Video conference, Unitholders can join from any location

This is with reference to the decision taken by Franklin Templeton Trustee Services Private Limited (**Trustee**), as the trustee of Franklin Templeton Mutual Fund (**FTMF**), to wind up the above scheme of FTMF (**Scheme**), pursuant to Regulation 39(2)(a) of the SEBI (Mutual Funds) Regulations, 1996 (**Mutual Funds Regulations**). The Hon'ble High Court of Karnataka upheld the authority of the Trustee to make the above decision in its judgment dated October 24, 2020. While considering the factors, underlying the decision taken by the Trustee to wind up the Scheme, the Hon'ble High Court took note of the stress in the economy and the volatility in the markets on account of the lock-downs that had to be imposed because of the Covid-19 pandemic. The Hon'ble High Court held that there was nothing wrong in the decision-making process and that no interference is called for in the decision taken by the Trustee on April 23, 2020 to wind up the Scheme. At the same time, the Hon'ble High Court also held that the decision can be implemented only after obtaining the consent of Unitholders under sub-clause (c) of clause 15 of Regulation 18 of the Mutual Funds Regulations.

The Trustee has given due consideration to the judgment of the Hon'ble High Court and preferred an appeal to the Hon'ble Supreme Court of India on certain aspects of the judgement. However, with a view to proceed with orderly realization of value from Scheme assets and distribution to Unitholder at the earliest, the Trustee had sought permission of the Hon'ble Supreme Court to seek the approval of Unitholder for winding up the Schemes, which permission was granted by the Hon'ble Supreme Court on December 3, 2020 without prejudice to the rights and contentions of all parties.

The Trustee is of the view that if the decision to wind up the Scheme in an orderly manner is not implemented, it would precipitate a rush of redemptions, which would force a distress sale of the portfolio securities, likely resulting in a reduction in the net asset value (NAV) of the Scheme and substantial losses for Unitholder.

It is also likely that such a large volume of sale in a short period of time would impact the bond market as a whole and compound liquidity issues for securities in the Scheme portfolio. Further, if the Scheme is opened for redemptions under these circumstances, meeting redemption demand as they come is likely to result in disproportionate distributions, besides significant losses for Unitholder.

On the other hand, the Trustee is of the view that an orderly liquidation would maximize the value of the portfolio assets for distribution of cash to Unitholder on a pro-rata basis (details of the Scheme portfolio and the NAV are available at www.franklintempletonindia.com). Thus, in an orderly winding-up, there is a greater likelihood of realizing fair value from the investments within a reasonable period of time by the person authorized under Regulation 41 (Authorised Person).

As disclosed in the Scheme Portfolio published on the website (www.franklintempletonindia.com), Unitholders may note that a significant portion of the scheme assets is held in securities and the liquidity position of each security, and consequently the value realized may vary depending on the time available to generate liquidity. An orderly liquidation would obtain better value for

Unitholders.

The Trustee is providing the following explanation to help Unitholders to assess the pros and cons of the voting options available to them. There can be no guarantee that the outcomes will be exactly as the Trustee expects. We urge Unitholders to carefully consider the following and seek appropriate advice and guidance in making this important decision.

All amounts in Rupees crores			
AUM as of December 1, 2020	Cash available for distribution as of December 1, 2020*	Voting "Yes" to the Resolution means opting for an orderly Winding-up of the Scheme with a potential to realize fair value from the assets	Voting "No" to the Resolution means opting for the Scheme to be re-opened, potentially leading to distress sale of assets and loss of value
3,570	499 (14% of AUM)	<p>(i) The securities in the Scheme can be liquidated in an orderly manner without the need to proceed with distress sale (as redemptions are not allowed) therefore <u>enabling an orderly liquidation of the portfolio assets at fair value. The proceeds realized by the Scheme will be distributed to the Unitholders in proportion to the units held by them, at regular intervals.</u></p> <p>(ii) This option will enable recovery of maximum value of securities held by the Scheme.</p> <p>(iii) The Authorised Person would be in a position to take the most <u>appropriate action with regard to liquidation of each security</u> as there will be no undue haste or selling pressure.</p> <p>(iv) The NAV would not be negatively impacted as liquidation would be orderly and there would be no need for distress sales.</p> <p>(v) <u>Unitholders will not be required to apply for redemptions.</u> Unitholders will receive regular pro-rata distributions of investment proceeds as assets are systematically liquidated by the Scheme.</p>	<p>(i) The Scheme would be required to reopen immediately and may need an <u>emergency liquidation</u> of securities if a high volume of redemption is received.</p> <p>(ii) This may entail distress sales of securities in order to meet the redemptions received. The market is unlikely to have the liquidity to absorb such large quantities of securities over a short period of time and it may not be possible to get bids at reasonable prices for all securities in such circumstances.</p> <p>(iii) <u>A distress sale of securities held in the portfolio could result in a rapid and steep decline in the NAV leading to substantial losses for Unitholder (irrespective of market conditions).</u> While the endeavor would be to minimize losses, however there is no assurance that the Scheme will be successful in doing so.</p> <p>(iv) <u>Unitholders will need to apply for redemptions</u> if they wish to receive monies. This may result in disproportionate distribution of any cash generated to Unitholder depending on the time of redemption.</p> <p>(v) <u>An adjustment in valuation</u> and consequential reduction in the NAV may be required on account of the above factors in accordance with the applicable regulations.</p>

*subject to TER

If the Trustee is authorized to proceed with an orderly winding-up of the Scheme as aforesaid, it will proceed forthwith to seek further approval from Unitholder for appointment of a person under Regulation 41(1) to carry out the winding up.

The Scheme currently has approximately INR 499 crores (14% of AUM) of cash accumulated from prepayments/part payments, maturities, coupons etc. In the event of Unitholder approval being received, the Trustee expects that the Authorised Person would be in a position to pay out this amount to Unitholders soon after its appointment.

For all the reasons explained above, the Trustee believes that it will be beneficial for Unitholder to

vote ‘YES’ to the proposed resolution.

Due to prevailing conditions and limitations on travel and gatherings on account of the COVID-19 pandemic, approval from the Unitholder is being sought through electronic means with a view to encourage maximum participation.

Accordingly, pursuant to Regulation 18(15)(c) of the Mutual Funds Regulations, **NOTICE IS HEREBY GIVEN THAT:**

- the facility of electronic voting will be made available to Unitholders for the period from Saturday, December 26, 2020 at 9.00 am until Monday, December 28, 2020 at 6.00 pm through the mechanism set forth in the Notes and the Annexure below; and
- a meeting of Unitholders of the Scheme will be held on Tuesday, December 29, 2020 from 02:00 pm to 03:00 pm, through video conferencing, accompanied by the facility of electronic voting on the same day from 02:00 pm until 03:00 pm, through the mechanism set forth in the Notes and the Annexure below,

in order to obtain approval by a simple majority of votes cast by Unitholders for the following resolution:

APPROVAL FOR AUTHORIZATION

*“**RESOLVED THAT** pursuant to Regulation 18(15)(c) of the SEBI (Mutual Funds) Regulations 1996 (**Mutual Funds Regulations**), the consent of the Unitholders is hereby accorded for winding-up the Franklin India Credit Risk Fund pursuant to the decision taken by the Trustee under Regulation 39(2)(a) of the Mutual Funds Regulations on April 23, 2020.”*

A. Other Matters

1. The value of the investments in units of the Scheme will be disclosed on a daily basis in the form of NAV.
2. In the case of joint accounts, the first named Unitholder shall have the voting right.
3. The electronic voting / e-voting facility will be available at <https://evoting.kfintech.com>. The e-voting facility offered by M/s. KFin Technologies Pvt. Ltd. will be made available for this purpose. The user ID and password for accessing the e-voting facility will be communicated by M/s. KFin Technologies Pvt. Ltd. directly to the Unitholders at their registered email addresses. Votes once cast through remote e-voting cannot be altered. The procedure for and instructions relating to e-voting are set forth in the Annexure below.
4. A meeting through video-conferencing facility will be held, wherein the Scheme would endeavor to enable participation of Unitholders on a ‘first-come-first-serve’ basis. Subject to the IT infrastructure, we hope to provide access to at least 2000 Unitholders. **Unitholders are requested to pre-submit any questions to Unitholdermeet@franklintempleton.com on or before December 15, 2020**, in order to allow for an orderly meeting. The procedure for and instructions relating to participation through videoconferencing are set forth in the Annexure.

5. The e-voting facility will also be made available on the day of the meeting from **02:00 pm** until **03:00 pm**. Unitholders, who are entitled to vote but have not yet exercised their vote through e-voting prior to the meeting, may vote during the meeting. The Unitholders who have already exercised their right to vote through e-voting may attend the meeting but will not be entitled to vote again or change their vote.
6. Unitholders whose names appear in the register of Unitholders, as at the close of business hours on April 23, 2020, i.e. after giving effect to all of the transactions carried out on the last business day of the Scheme (April 23, 2020) and reconciliation of open transactions in the Scheme account and Unitholders who have purchased units through off market deals after April 23, 2020 (up to December 3, 2020) shall be entitled to vote on the resolution.
7. Non-individual / corporate Unitholders are required to upload a duly-certified copy of the board resolution / power of attorney authorizing their representative(s) to vote on their behalf as mentioned in Annexure.
8. The Trustee has appointed **J. Sagar Associates**, a reputed law firm, as the scrutinizer to monitor the e-voting process. The scrutinizer shall submit its report to the Trustee or any person authorized by the Trustee. The Trustee or such authorized person will, thereupon, declare the voting results.
9. For any queries or clarifications regarding the process for joining the meeting or e-voting facility, please contact us at Unitholdermeet@franklintempleton.com.
10. Each Unitholder will have one vote.
11. In the event the VC meeting cannot be held on December 29, 2020 for any technical or other reasons the meeting will be held on the next day (i.e. on December 30, 2020) at the same time.
12. Unitholder will have the same meaning as defined in the SEBI (Mutual Fund) Regulation 1996.

By order of the Board of **Franklin Templeton Trustee Services Pvt. Ltd**
Alok Sethi
Director (DIN: 00277481)
Date: December 6, 2020

Annexure

The procedure for and instructions relating to E-Voting are set forth below:

- a. Unitholders will receive an e-mail from M/s. KFin Technologies Private Limited
- b. Launch an internet browser and open <https://evoting.kfintech.com>
- c. Enter the login credentials, i.e. User ID and password, provided in the email received from KFin Technologies Private Limited. However, if you are already registered with KFintech for e-voting, you can use your existing User ID and password for casting your vote.
- d. After entering the above details click on - LOGIN
- e. Password change menu will appear. Change the password to a new password of your choice. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@, #, \$ etc.). The system will also prompt you to update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential. After changing the password, you will need to login again with the new credentials.
- f. On successful login, the system will prompt you to select the E-Voting Event.
- g. Select 'EVENT' of Franklin India Credit Risk Fund and click on - Submit.
- h. Now you are ready for e-voting as voting page opens.
- i. Cast your vote by selecting appropriate option and click on 'Submit'. Click on 'OK' when prompted.
- j. Upon confirmation, the message 'Vote cast successfully' will be displayed.
- k. Once you have confirmed your vote on the resolution, you cannot modify your vote.
- l. The Portal will remain open for voting from December 26, 2020 at 09:00 a.m. (IST) and will close on December 28, 2020 at 06:00 p.m. (IST).
- m. Corporate / Institutional Unitholders (that is, other than Individuals, HUF, NRI etc.) are also required to upload scanned certified true copy (PDF Format) of the Board Resolution / Power of Attorney / Authority Letter etc., together with attested specimen signature(s) of the duly authorized representative(s), in the e-voting module under their login.

Instructions for Unitholders for e-Voting during the Meeting session:

1. The procedure for e-Voting on the day of the Meeting is same as the instructions mentioned above for Remote e-voting.
2. Only those Unitholders who are present at the Meeting and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the Meeting.
3. The e-Voting window shall be activated upon instructions of the Chairman during the Meeting. Unitholders shall vote as per the credentials displayed in the e-voting window.

Instructions for the Unitholders for attending the meeting through Video Conference:

- a. **Attending Meeting:** Unitholder will be provided with a facility to attend the Meeting through video conferencing platform provided by M/s KFin Technologies Private Limited. Unitholders may access the same at <https://emeetings.kfintech.com> and access the same by using the remote e-voting credentials. Then click on the “video conference” to join the meeting.
- b. Please note that the Unitholders who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice.
- c. Unitholders are encouraged to join the Meeting through a desktop or laptop computer with Google Chrome for better experience.
- d. Further Unitholders will be required to “allow camera,” if any, and hence requested to use an Internet with a good speed to avoid any disturbance during the meeting.
- e. Please note that Unitholders connecting from mobile devices or tablets or through laptop computers connecting via a mobile hotspot may experience audio/video loss due to fluctuation in their respective networks. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- f. **Questions prior to Meeting:** Unitholders who would like to express their views/ask questions during the meeting may log into <https://emeetings.kfintech.com> and click on “post your queries” and post their queries/views/questions in the window provided by mentioning the name, folio number, email id, mobile number.
- g. Due to limitations of transmission and coordination during the Q&A session, the Trustee may dispense with the speaker registration during the Meeting conference.
- h. **Speaker Registration during Meeting session:** The Q&A window will be activated in the Meeting session for Unitholders to register as speakers by proving their client id/DP id/folio and mobile number in the window. A pop up giving the “Q” number shall be displayed for Unitholders on a first-come-first-serve basis within the time provided, who will need to wait for his/her turn to be called by the Chairman of the Meeting.

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

