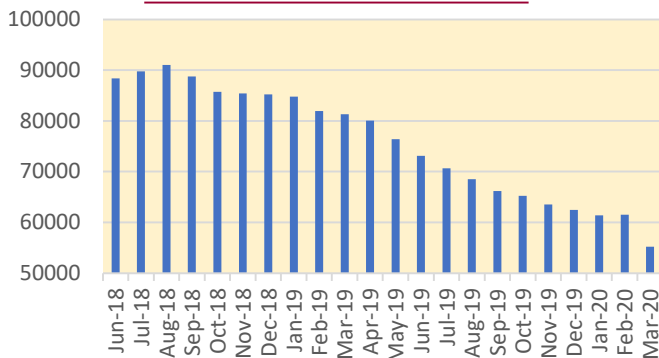


WHAT LED TO FRANKLIN INDIA CRISIS

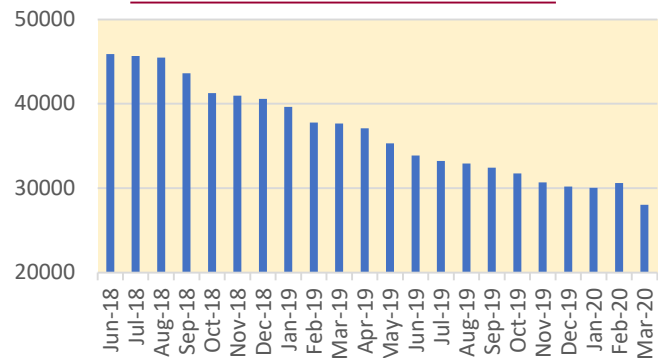


- The IL&FS episode followed by the Credit Crisis, squeezed the liquidity for NBFCs accessing Debt Markets.
- Downgrade of papers such as DHFL, Essel Group and ADAG led to redemptions in schemes.
- These factors led to overall declining trend in Credit Risk & Medium Term AUMs.

Credit Risk Funds AUM in INR Crs

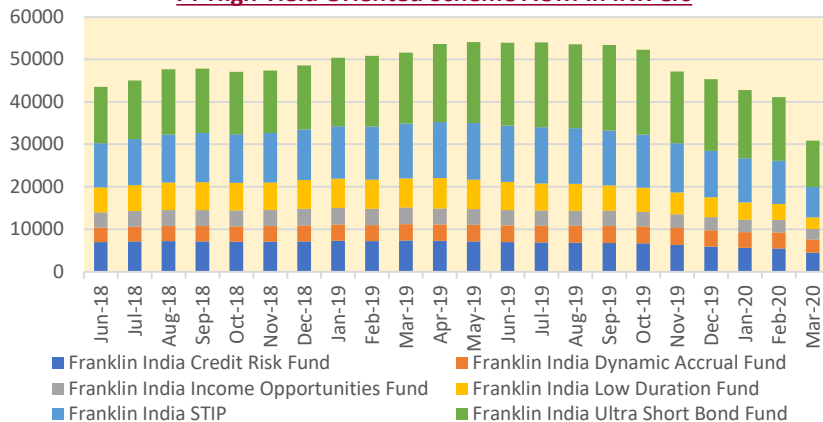


Medium Term Funds AUM in INR Crs

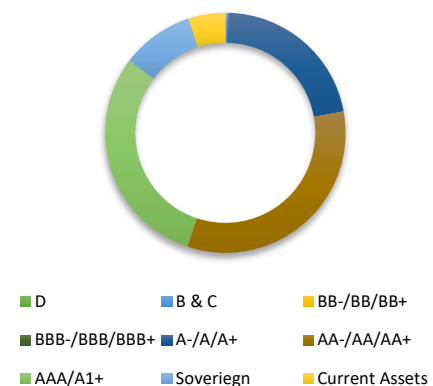


- Franklin Templeton India (FT) has been a pioneer in managing credit funds in the mutual fund industry.
- Even though FT managed to sail through the IL&FS debacle, Vodafone downgrade emerged as the trigger point for huge redemptions from the Fund House.
- More recently the outbreak of Covid-19 and subsequent lockdown led to heightened risk aversion leading to huge redemptions from mutual funds, FT included.
- Lack of liquidity for non-AAA papers forced FT to borrow from banks to meet their redemption requirements. However, given the current unprecedented situation, the fund house justified that even the committed borrowing lines were inadequate to meet the demand for sustained borrowing across the schemes amid severe dislocation in the corporate bond markets.
- This led to FT winding down 6 of their High Yield Funds as it would have been impossible to meet redemptions owing to the illiquid papers. No new investment or redemption is allowed and existing investors will be paid as and when Franklin receives money from their lending or can sell in the secondary market.

FT High Yield Oriented Scheme AUM in INR Crs



FT Credit Profile - March 2020



March 2020 Credit Profile (%) - Open ended Debt Schemes

Fund House Name	AUM (Cr.)	D	B & C	BB-/BB/BB+	BBB-/BBB/BBB+	A-/A/A+	AA-/AA/AA+	AAA/A1+	Sovereign	Current Assets
Aditya Birla SL Mutual Fund	1,18,508	0.1%	1.0%	0.0%	0.1%	2.2%	10.1%	62.5%	15.3%	8.7%
Axis Mutua Fund	52,007	0.0%	0.0%	0.0%	0.0%	2.1%	11.7%	60.5%	14.9%	10.8%
Baroda Mutual Fund	4,216	0.8%	0.0%	0.0%	0.0%	1.2%	18.3%	27.7%	31.4%	20.6%
BNP Paribas Mutual Fund	1,992	0.0%	0.0%	0.0%	0.0%	0.0%	11.5%	50.4%	12.2%	25.8%
BOI AXA Mutual Fund	886	1.2%	0.0%	0.0%	0.0%	0.0%	3.4%	44.2%	7.2%	43.9%
Canara Robeco Mutual	3,154	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	45.4%	28.4%	26.2%
DSP Mutual Fund	26,020	0.2%	0.0%	0.0%	0.0%	0.0%	7.6%	53.8%	27.6%	10.8%
Edelweiss Mutual Fund	2,211	0.0%	0.0%	0.0%	0.0%	13.6%	1.9%	36.6%	21.2%	26.7%
Essel Mutual Fund	68	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	81.2%	0.0%	18.8%
Franklin India Mutual Fund	45,555	0.1%	0.2%	0.0%	0.1%	21.7%	33.0%	30.2%	9.7%	5.0%
HDFC Mutual Fund	1,69,549	0.6%	0.0%	0.0%	0.0%	4.5%	13.2%	53.4%	19.1%	9.3%
HSBC Mutual Fund	5,186	0.2%	0.0%	0.0%	0.0%	0.0%	3.3%	57.6%	17.7%	21.2%
ICICI Pru Mutual Fund	1,43,976	0.0%	0.0%	0.0%	0.0%	2.2%	20.5%	44.4%	26.0%	6.9%
IDBI Mutual Fund	1,329	0.0%	0.0%	0.0%	0.0%	9.5%	29.2%	36.6%	18.1%	6.5%
IDFC Mutual Fund	66,392	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%	53.0%	32.4%	9.8%
IIFL Mutual fund	635	0.0%	0.0%	0.0%	0.0%	0.0%	33.8%	31.4%	0.0%	34.8%
Indiabulls Mutual Fund	620	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	47.5%	27.4%	25.1%
Invesco India Mutual Fund	8,534	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	71.5%	9.3%	18.0%
ITI Mutual Fund	37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
JM Mutual Fund	3,183	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	43.1%	22.2%	33.0%
Kotak Mutual Fund	81,423	0.0%	0.0%	0.0%	0.0%	3.5%	13.2%	52.9%	19.5%	10.9%
L&T Mutual Fund	25,054	0.0%	0.0%	0.0%	0.0%	2.0%	10.6%	58.6%	16.2%	12.6%
LIC Mutual Fund	9,251	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	51.3%	28.4%	16.0%
Mahindra Mutual Fund	2,733	0.0%	0.0%	0.0%	0.0%	1.4%	18.8%	51.9%	3.1%	24.8%
Mirae Asset Mutual Fund	4,459	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	47.5%	23.6%	26.7%
Motilal Oswal Mutual Fund	532	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	76.7%	23.3%
Nippon India Mutual Fund	61,978	0.3%	0.0%	0.2%	1.0%	6.8%	11.0%	39.0%	28.8%	12.8%
Parag Parikh Mutual Fund	390	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.1%	65.3%	29.6%
PGIM India Mutual Fund	1,460	0.0%	0.0%	0.0%	0.0%	1.7%	10.3%	51.5%	20.1%	16.4%
Pricipal Mutua Fund	562	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	47.9%	17.3%	32.1%
Quant Mutual Fund	100	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	43.7%	2.7%	53.6%
Quantum Mutual Fund	314	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.6%	58.5%	16.9%
SBI Mutual Fund	1,17,549	0.0%	0.0%	0.0%	0.0%	2.2%	9.6%	47.0%	31.9%	9.3%
Sundaram Mutual Fund	8,179	0.0%	0.0%	0.0%	0.0%	0.7%	2.5%	75.0%	2.6%	19.2%
TATA Mutual Fund	18,197	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	59.6%	22.2%	13.8%
Union Mutua Fund	984	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	54.4%	14.1%	29.1%
UTI Mutual Fund	36,937	2.0%	0.0%	0.0%	0.0%	2.6%	6.7%	50.0%	22.7%	16.0%
Yes Mutual Fund	84	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.4%	87.6%

THE WAY FORWARD

Going forward, considering the uncertainty with respect to extent of slowdown, many companies may default or get downgraded by rating agencies. Thus any scheme having exposure to such papers may face redemption pressure in the months ahead. Hence one should consider liquidity / credit quality of a fund / scheme while making investments. We at **MATA**, follow **S-L-R** policy for our investors and give utmost importance to the return “*of*” capital to the investor rather than only return “*on*” capital.

Safety

Liquidity

Returns