



FRANKLIN
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WE'RE HERE TO HELP INVESTORS
INVEST IN SMALL COMPANIES
WITH POTENTIAL GROWTH.

FRANKLIN INDIA SMALLER COMPANIES FUND

SEPTEMBER 2023



ABOUT THE FUND

- Franklin India Smaller Companies fund (FISCF) is an open-ended equity portfolio designed for those investors who seek exposure to an equity product that can take advantage of the opportunities available predominantly in the small cap space. The fund aims to employ active investment strategy taking defensive/ aggressive postures depending on opportunities available at various points in time within the small cap segment. FISCF has a long track record of over 14 years.



FUND MANAGER COMMENTARY

Macro factors support surge in mid and small caps:

- Revival in the property cycle and a possible recovery in the capex cycle point towards an acceleration in national growth over the near term.
- The improving asset quality of retail and high-yield credit indicates that the repair of balance sheets of households that were impacted by Covid disruptions is near completion. This should bring growth back to private discretionary spending
- China plus one model
- Targeted Production-Linked Incentive (PLI) schemes should lead to much better growth from the manufacturing sector compared to what the last decade has offered.

Accelerating growth implies, in general, stronger corporate earnings, more frequent earnings upgrades, higher risk appetite among investors. All these factors are conducive for the out-performance of midcap and small caps.

Portfolio strategy:

An overweight exposure to domestic cyclicals including discretionary, real estate in the funds is aimed at exploring opportunities from economic recovery. Funds continue to focus on high quality stocks with long-term higher-than-market growth prospects and strong balance sheets.



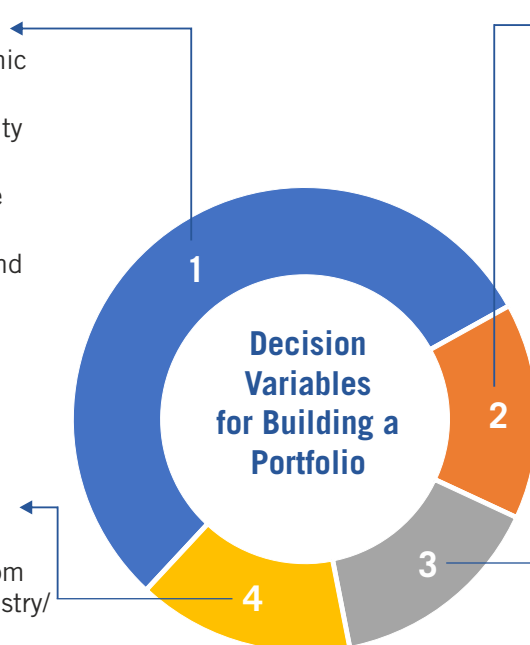
OUR INVESTMENT STRATEGY

Compounding growth ideas

- Participates in India's strong economic growth
- Ability to sustain high return on equity and/or return on capital employed
- Management's ability to scale up the business
- Management capability to identify and participate in peripheral business opportunities
- Recurring revenues and profitable reinvestment opportunities
- Strong execution track record

Disruptive and Innovative businesses

- Capable of identifying opportunities within changing market dynamics
- Positioning to benefit sustainably from disruptive change in the sector/ industry/ economy
- Investing in technology/ people/ processes/ brand to capture disruptive long term growth
- Taking risks to capitalize on them to create sustainable shareholder value.



Cyclical growth orientation

- Potential to generate positive cash flows / earnings increasing at a rate faster than that of the industry / economy
- Valued reasonably versus comparable universe
- Sustainable competitive advantage

Contrarian approach

- Above-average ROE business at below-average prices, not necessarily deep-value strategy
- Strong long-term business fundamentals
- Good execution, ROE and cash flow track record
- Embedded or hidden value, underestimated/ ignored by the market



WHY FRANKLIN TEMPLETON?

- Franklin Templeton is the sixth largest independent asset manager in the world (as of June 30, 2023).
- Premier global investment management organization with over 75 years of global investment experience.
- Extensive experience in both equity and debt across market cycles.
- Focus on local needs backed by global expertise.



STOCK RATIONALE

Equitas Small Finance Bank Ltd.

- Core operating performance of the bank has remained strong in the form of growing disbursements, advances and deposits.
- The Net Interest Margin (NIM) of the bank in Q1FY24 finished lower at 8.76% as compared to 9.05% in Q1FY23, due to an increase in cost of funds. Asset quality improved, by fall in Net NPA levels fell to 1.12% in Q1FY24 from 2.07% in Q1FY23.
- We thus maintain an overweight position the stock. (Source: Q1FY24 Investor Presentation and Earnings Conference Call)

Brigade Enterprises Ltd.

- Brigade is a real estate developer predominantly focused on key markets in Southern India. Brigade Enterprises has projects spanning residential, office, retail and hotels in Bengaluru, Mysuru, Hyderabad, Chennai and Kochi.
- Its marquee properties in Chennai include the 28-storeyed World Trade Center in Perungudi.
- The company reported a 22% (YoY) increase in pre-sales in Q1FY24. Presence in diversified real estate segments, focus on new launches, a strong medium term development pipeline aid our positive view on the stock. (Source: Q1FY24 Financials, & Investor Presentation)

Kalyan Jewellers India Ltd.

- It is one of the largest jewellery companies in India producing gold, studded, and other jewelry products across prices points. A rising share of organized players from 6% in 2007 to 32% in 2020 bodes well for the future of the business.
- Regulatory and legislative changes such as mandatory PAN for purchase of gold above INR 2 lakhs, compulsory hallmarking of jewellery may have provided impetus to this business. For the quarter ended 30th June 2024, its revenue grew by 31% whereas EBITDA grew by 22%.
- We maintain a positive outlook on the stock. (Source: Q1FY24 Financials & Investor Presentation).

Jyothy Labs Ltd.

- Jyothy Labs is primarily in Home Care and Personal Care segments which constitute 50% of the Indian FMCG industry.
- Key revenue segments for the firm include fabric care (45%), dishwashing products (35%). 60% of the company's market is in urban areas, which are performing well. Since FY21, the company has been making strategic investments in building brands, adopting new technologies and expanding its direct market reach (currently 1.1 mn with plans to add an additional 50k-70k each year).
- Established brands, stable demand, diverse product portfolio, robust revenue growth (15% YoY) and PAT growth (102% YoY) in Q1FY24 aid our positive stance on the stock. (Source: Q1FY24 Investor Presentation and earnings conference call)

J.B. Chemicals & Pharmaceuticals Ltd.

- The firm operates in the pharmaceutical space. It is one of the leading players in the hypertension segment.
- The company registered a 35% (YoY) growth in net profits in Q1FY24.
- Domestic formulation (17% YoY) and international formulation (11.2% YoY) business segments witnessed robust topline growth. Contract Development and Manufacturing Organization (CDMO) segment reported strong growth of 19% (YoY) in Q1FY24.
- Product mix in both India and export formulations, growth traction seen in various segments, inorganic growth through acquisitions bode well for us to maintain a positive stance on the stock. (Source: Management commentary & Financials Q1FY24)

Source: The stock level information are based on company disclosures to stock exchanges, post result company conference calls, annual and quarterly company filings.

*ROCE - return on capital employed



SECTOR ALLOCATION & FUND STATISTICS

KEY SECTORS

(in%)	Industrials	Financials	Consumer Discretionary	Materials	Information Technology	Real Estate	Health Care	Consumer Staples	Communication Services	Energy
Aug'2023	21.77	18.50	14.79	11.71	6.49	6.11	5.99	5.50	1.25	0.38
Aug'2022	19.25	16.50	16.84	14.02	4.88	8.52	6.05	7.02	2.50	1.51
	▲	▲	▼	▼	▲	▼	▼	▼	▼	▼
Benchmark (Aug'2023)	23.71	19.29	10.98	15.78	8.78	1.72	9.65	4.18	2.59	1.18

Source: Factset. Sector definition as per AMFI classification is mentioned at the end of the brochure. Data pertains to month-end numbers and excludes Cash.

Portfolio Characteristics	August 2023	August 2022
No. of Stocks	87	75
Top 3 Stock Holdings (%)	11.39	12.32
Top 5 Stock Holdings (%)	17.03	18.49
Top 10 Stock Holdings (%)	28.30	31.78
Top 3 Sector Holdings (%)	55.06	52.58
Top 5 Sector Holdings (%)	73.26	75.12

% of Total AUM

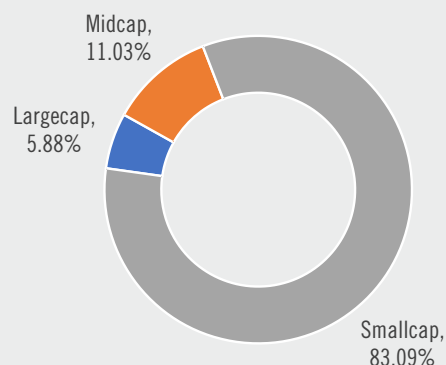
Ratios	August 2023	Valuation (August 2023)	Fund	Benchmark
Standard Deviation	4.50%	Price to Book	3.63	2.91
Portfolio Beta	0.76	Price to Sales	2.06	1.87
Sharpe Ratio*	2.11	Dividend Yield (%)	0.58	0.94
Portfolio turnover	20.06%	Avg. Market Cap (Rs Cr)	47341	-

* Annualised. Risk-free rate assumed to be 6.69% (FBIL OVERNIGHT MIBOR). Data of Standard Deviation, Portfolio Beta and Sharpe Ratio consist of 3 years period.

Top 10 Holdings (%)

Equitas Small Finance Bank Ltd	4.53
Brigade Enterprises Ltd	3.64
Deepak Nitrite Ltd	3.21
Kalyan Jewellers India Ltd	3.06
Jyothy Labs Ltd	2.58
J.B. Chemicals & Pharmaceuticals Ltd	2.40
KPIT Technologies Ltd	2.29
ICICI Bank Ltd	2.26
Karur Vysya Bank Ltd	2.17
Carborundum Universal Ltd	2.15

Market cap break-up



Source: Factset. Data as of August 31, 2023. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The sector/stocks/securities mentioned in the material may not be considered as investment advice or recommendation to buy or sell nor a view or opinion on quality or profitability providing a basis of investment decision in the same. The schemes managed by Franklin Templeton Asset Management (India) Pvt. Ltd (the AMC) may or may not have any future exposure in the same. The reader should not assume that investment in the sector/stocks/securities mentioned was or will be profitable. The securities illustrated in the above chart represent the ten largest holdings held in the Fund as of the date indicated. Market capitalization is as per AMFI classification. The graph shows large cap, mid cap and small cap break as a % of the total equity.

The portfolio characteristics (valuation metrics) listed are based on the Fund's underlying holdings. Dividend yield is calculated as a weighted average of the underlying stocks. Price to book and Price to Sales ratios are computed as weighted harmonic mean based on last twelve-month trailing data as of August 31, 2023. Market Capitalization for fund is calculated based on full -oat methodology. In practice, Franklin Templeton's portfolio managers invest in type of security which they believe is most appropriate at the time of purchase. Portfolio holdings are subject to change.



FUND DETAILS (AS ON AUGUST 31, 2023)

FUND MANAGER(S)



Janakiraman Rengaraju, CFA
Vice President &
Portfolio Manager



Akhil Kalluri
Assistant Vice President &
Senior Research Analyst



Sandeep Manam
Sr. Portfolio Manager &
Research Analyst

TYPE OF SCHEME	Small-cap Fund - An open ended equity scheme predominantly investing in small cap stocks.
DATE OF ALLOTMENT	January 13, 2006**
BENCHMARK	Nifty Smallcap 250
FUND SIZE (AUM)	Month End: Rs 9595.27 crores Monthly Average: Rs 9197.91 crores
MINIMUM INVESTMENT/MULTIPLES FOR NEW INVESTORS	Rs 5000/1
MINIMUM INVESTMENT FOR SIP	Rs 500/1
ADDITIONAL INVESTMENT/MULTIPLES FOR EXISTING INVESTORS	Rs 1000/1
LOAD STRUCTURE	ENTRY LOAD: Nil EXIT LOAD (for each purchase of Units): 1% if the Units are redeemed/switched-out within one year of allotment. Different plans have a different expense structure

**Launched as a closed end scheme, the scheme was converted into an open end scheme effective January 14, 2011.

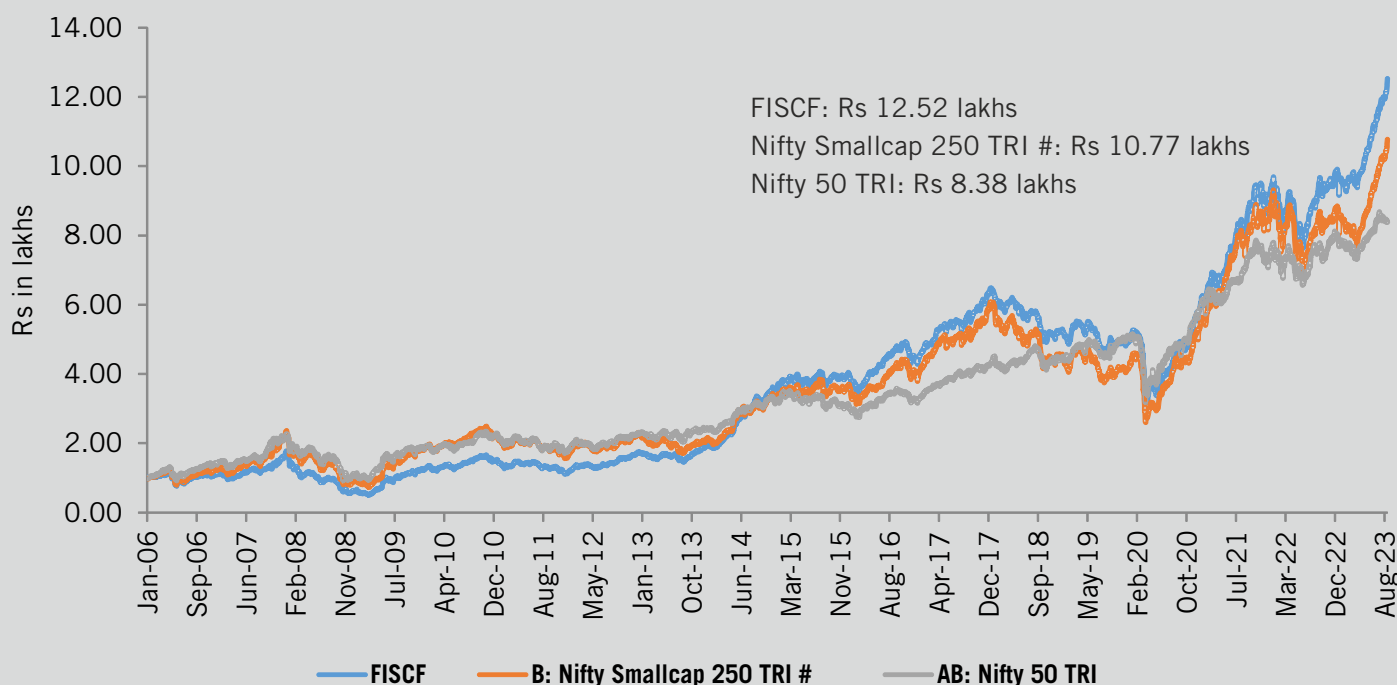


PERFORMANCE OF FRANKLIN INDIA SMALLER COMPANIES FUND (AS ON AUGUST 31, 2023)

Lumpsum - If you had invested Rs 1 Lakh in FISCf - Regular Growth	Since Inception	15 years	10 years	7 years	5 years	3 years	1 Year
Total value as on 31-August-2023 (Rs in lakhs)	12.52	12.94	8.47	2.64	2.15	2.72	1.38
Returns	15.40%	18.60%	23.80%	14.87%	16.58%	39.55%	37.46%
Total value of B: Nifty Smallcap 250 TRI # (Rs in lakhs)	10.77	7.64	6.14	2.55	2.03	2.53	1.29
B:Nifty Smallcap 250 TRI # Returns	14.42%	14.51%	19.89%	14.28%	15.24%	36.35%	29.35%
Total value of AB: Nifty 50 TRI (Rs in lakhs)	8.38	5.29	3.98	2.39	1.75	1.75	1.10
AB: Nifty 50 TRI Returns	12.81%	11.74%	14.79%	13.24%	11.83%	20.58%	9.50%

Compounded Annualised Growth Rate Performance as on August 31, 2023. # Index adjusted for the period January 13, 2006 to June 4, 2018 with the performance of Nifty Midcap 100.

Worth of Rs. 1 lakh invested in FISCf



The graph shows the movement of Rs. 1 lakh invested in FISCf – Growth Plan, Nifty Smallcap 250 TRI and Nifty 50 TRI since inception of the fund.

SIP - If you had invested Rs 10000 per month in FISCf - Regular Growth	Since Jan 2011 [^]	10 Years	7 Years	5 Years	3 Years	1 Year
Total amount Invested (Rs in lakhs)	21.30	12.00	8.40	6.00	3.60	1.20
Total value as on 31-Aug-2023 (Rs in lakhs)	133.99	32.21	17.42	11.90	5.53	1.48
Returns	18.36%	19.02%	20.90%	28.65%	31.66%	54.40%
Total value of B: Nifty Smallcap 250 TRI # (Rs in lakhs)	90.78	29.79	16.77	11.63	5.24	1.47
B:Nifty Smallcap 250 TRI # Returns	14.71%	17.55%	19.82%	27.65%	27.45%	54.04%
Total value of AB: Nifty 50 TRI (Rs in lakhs)	21.30	24.27	13.99	8.83	4.40	1.29
AB: Nifty 50 TRI Returns	12.41%	13.50%	14.32%	15.45%	13.41%	13.48%

[^] The fund became open-ended in Jan 2011. SIP Performance as on August 31, 2023.

Past performance may or may not be sustained in future. Inception date: January 14, 2011. Dividends assumed to be reinvested and Bonus is adjusted. Load is not taken into consideration. B: Benchmark, AB: Additional Benchmark, TRI: Total Return Index Values. # Index adjusted for the period January 13, 2006 to June 4, 2018 with the performance of Nifty Midcap 100. Refer next page for complete performance disclosure.



COMPLETE PERFORMANCE DISCLOSURE

Scheme	NAV as on August 31, 2023	Compounded Annualised Growth Rate Performance (%)								Inception Date
		Last 1 Year		Last 3 Years		Last 5 Years		Since inception		
		Returns	Current Value of Investment of Rs. 10000	Returns	Current Value of Investment of Rs. 10000	Returns	Current Value of Investment of Rs. 10000	Returns	Current Value of Investment of Rs. 10000	
Franklin India Smaller Companies Fund (FISCF) - Growth	125.1999	37.46%	13,758	39.55%	27,174	16.58%	21,546	15.40%	1,25,200	13.01.2006
B: Nifty Smallcap 250 TRI @@		29.35%	12,944	36.35%	25,347	15.24%	20,328	14.42%	1,07,652	
AB: Nifty 50 TRI		9.50%	10,953	20.58%	17,532	11.83%	17,495	12.81%	83,811	
Performance of Top 3 and bottom 3 schemes managed by the fund managers of the scheme										
Franklin India Taxshield (FIT)-Growth @	1030.6039	16.95%	11,700	25.93%	19,970	11.90%	17,549	20.91%	10,30,604	10.04.1999
B: Nifty 500 TRI		11.39%	11,142	21.88%	18,105	12.33%	17,893	15.70%	351776	
AB: Nifty 50 TRI *		9.50%	10,953	20.58%	17,532	11.83%	17,495	14.44%	2,68,772	
Franklin India Prima Fund (FIPF)-Growth @	1823.2150	20.72%	12,079	25.62%	19,821	12.72%	18,204	19.11%	18,23,215	01.12.1993
B: Nifty Midcap 150 TRI ++ \$		24.56%	12,463	33.31%	23,690	16.87%	21,816	13.36%	4,17,704	
AB: Nifty 50 TRI		9.50%	10,953	20.58%	17,532	11.83%	17,495	11.64%	2,64,889	
Franklin India Bluechip Fund (FIBCF) - Growth @	756.3726	8.52%	10,855	20.18%	17,356	9.28%	15,589	19.09%	18,14,707	01.12.1993
B: Nifty 100 TRI # \$		7.03%	10,705	20.03%	17,292	11.12%	16,948	11.91%	284727	
AB: Nifty 50 TRI *		9.50%	10,953	20.58%	17,532	11.83%	17,495	11.64%	2,64,889	
Franklin India Flexi Cap Fund (FIFCF) - Growth @	1144.3501	16.76%	11,681	27.07%	20,516	12.99%	18,423	17.80%	11,44,350	29.09.1994
B: Nifty 500 TRI \$		11.39%	11,142	23.10%	18,655	12.33%	17,893	11.36%	2,24,840	
AB: Nifty 50 TRI *		9.50%	10,953	20.58%	17,532	11.83%	17,495	10.97%	2,03,591	
Franklin India Equity Advantage Fund (FIEAF) - Growth	136.1173	10.52%	11,055	23.55%	18,858	10.01%	16,119	15.15%	1,36,117	02.03.2005
B: Nifty LargeMidcap 250 Index TRI \$\$\$		15.68%	11,573	26.64%	20,312	14.62%	19,788	14.80%	1,28,612	
AB: Nifty 50 TRI		9.50%	10,953	20.58%	17,532	11.83%	17,495	14.15%	1,15,929	
Franklin India Opportunities Fund (FIOF) - Growth @	152.3980	27.21%	12,729	28.75%	21,341	14.67%	19,838	12.27%	1,52,398	21.02.2000
B: Nifty 500 TRI ### \$		11.39%	11,142	23.10%	18,655	12.33%	17,893	4.96%	31,281	
AB: Nifty 50 TRI		9.50%	10,953	20.58%	17,532	11.83%	17,495	12.25%	1,51,836	

Past performance may or may not be sustained in future. Fund Managers: FISCF: R. Janakiraman (Managing Since 11-Feb-08) & Akhil Kalluri (Managing Since 08-Sep-22), FIT: Anand Radhakrishnan (Managing Since 18-Oct-21) & R. Janakiraman (Managing Since 02-May-16), FIBCF: Venkatesh Sanjeevi (Managing Since 18-Oct-21), R. Janakiraman (Managing Since 18-Oct-21) & Anand Radhakrishnan (Managing Since 31-Mar-07), FIPF: R. Janakiraman (Managing Since 11-Feb-08) & Akhil Kalluri (Managing Since 07-Feb-22), FIFCF: Anand Radhakrishnan (Managing Since 31-Mar-07) & R. Janakiraman (Managing Since 01-Feb-11), FIEAF: Venkatesh Sanjeevi (Managing Since 18-Oct-21) & R. Janakiraman (Managing Since 21-Feb-14) and FIOF: R. Janakiraman (Managing Since 01-Apr-13) & Kiran Sebastian (Managing Since 07-Feb-22). B: Benchmark. AB: Additional Benchmark. N.A.: Not Applicable. The FISCF fund manager R. Janakiraman & Akhil Kalluri manages 7 (FIT, FIEAF, FIOF, FIFCF, FIPF, FISCF, FIBCF) & 2 (FIPF, FISCF) schemes of Franklin Templeton Mutual Fund respectively. Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement. Different plans have a different expense structure. The performance details provided herein are of Regular Plan. Load is not taken into consideration. IDCW assumed to be reinvested and Bonus is adjusted. On account of difference in the type/category, asset allocation or investment strategy, inception dates, performances of these funds are not strictly comparable. Please refer to www.franklintempletonindia.com for details on performance of all schemes (including Direct Plans). ### Index adjusted for the period February 21, 2000 to March 10, 2004 with the performance of ET Mindex and for the period March 10, 2004 to June 4, 2018 with the performance of S&P BSE 200. # Index adjusted for the period December 1, 1993 to June 4, 2018 with the performance of S&P BSE Sensex. ++ Index is adjusted for the period December 1, 1993 to May 20, 2013 with the performance of Nifty 500 and for the period May 20, 2013 to June 4, 2018 with the performance of Nifty Midcap 100. \$\$\$ The Index is adjusted for the period Mar 2, 2005 to Feb 11, 2019 with the performance of Nifty 500. @@ Index adjusted for the period January 13, 2006 to June 4, 2018 with the performance of Nifty Midcap 100. TRI - Total Return Index. @ As TRI data is not available since inception of the scheme, benchmark performance is calculated using composite CAGR in FIT: * Nifty 50 PRI values from 10.04.1999 to 30.06.1999 and TRI values since 30.06.1999; FIPF: \$ Nifty 500 PRI values from 01.12.1993 to 26.11.1998, Nifty 500 TRI values from 26.11.1998 to May 20, 2013, Nifty Midcap 100 TRI values from May 20, 2013 to June 4, 2018 and Nifty Midcap 150 TRI values since June 4, 2018, * Nifty 50 PRI values from 01.12.1993 to 30.06.1999 and TRI values since 30.06.1999; FIFCF: \$ Nifty 500 PRI values from 29.09.1994 to 26.11.1998 and TRI values since 26.11.1998, * Nifty 50 PRI values from 29.09.1994 to 30.06.1999 and TRI values since 30.06.1999; FIOF: \$ ET Mindex PRI values from 21.02.2000 to 10.03.2004, S&P BSE 200 PRI values from 10.03.2004 to 01.08.2006, S&P BSE 200 TRI values from 01.08.2006 to 04.06.2018 and Nifty 500 TRI values since 04.06.2018; FIBCF: \$ S&P BSE Sensex PRI values from 01.12.1993 to 19.08.1996, S&P BSE Sensex TRI values from 19.08.1996 to 04.06.2018 and Nifty 100 TRI values since 04.06.2018, * Nifty 50 PRI values from 01.12.1993 to 30.06.1999 and TRI values since 30.06.1999.

Sector Definition

FT Enhanced GICS Sector	AMFI Industry Classification	FT Enhanced GICS Sector	AMFI Industry Classification
Financials	Banks, Financial Institution	Materials	Cement, Chemicals & Metals
Communication Services	Telecom, Media & Entertainment	Consumer Staples	FMCG, Food Products & Beverages
Information Technology	IT & Services, Software, Tech	Energy	Oil, Gas & Petroleum Products
Industrials	Industrial Products, Capital Goods	Health Care	Health Care & Pharmaceuticals
Consumer Discretionary	Auto, Consumer Durables, Textiles Apparel & Luxury Goods	Utilities	Power, Engineering Services
		Real Estate	Construction, Realty

Product label & Riskometer is as on August 31, 2023	Franklin India Smaller Companies Fund	Nifty Smallcap 250
<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Long term capital appreciation A fund that invests primarily in small-cap stocks <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p>RISK - Q-METER</p> <p>Investors understand that their principal will be at Very High Risk</p>	 <p>RISK - Q-METER</p> <p>Investors understand that their principal will be at Very High Risk</p>

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